

## PROSPECTUS

Dated April 19, 2006

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue



### PLETHICO PHARMACEUTICALS LIMITED

(The Company was incorporated on 4<sup>th</sup> December 1991 as Plethico Pharmaceuticals Private Limited under the Companies Act, 1956. In 1992, our Company was converted to a public limited company and received a fresh certificate of incorporation on 27<sup>th</sup> August 1992. For details of incorporation and change in name, please refer to the chapter on Our History and Corporate Structure at Page 120).

**Registered Office:** A.B.Road, Manglia – 453 771, Indore (M.P.), India. **Tel:** +91-0731-2422881-85; **Fax:** +91-0731-2420938; **Corporate Office:** Plethico Pharmaceuticals Limited, 1<sup>st</sup> Floor, Crimpage Corporation, Plot No. 57, Street No.17, M.I.D.C, Andheri (E) Mumbai – 400 093. **Tel:** +91-022-56988301; **Fax:** +91-022-56988330. **Compliance Officer:** Mr. Pankaj Pabaiya; **E-mail:** ipo@plethico.com; **Website:** www.plethico.com

**PUBLIC ISSUE OF 36,66,667 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. 300 PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS 290 PER EQUITY SHARE) AGGREGATING RS. 1100 MILLION, (the “ISSUE”), BY PLETHICO PHARMACEUTICALS LIMITED (“PLETHICO”, the “COMPANY” or “the ISSUER”). THE ISSUE WILL CONSTITUTE 10.76 % OF THE FULLY DILUTED POST-ISSUE PAID –UP CAPITAL OF OUR COMPANY**

**ISSUE PRICE Rs. 300 PER EQUITY SHARE OF FACE VALUE Rs. 10**

**THE FACE VALUE OF THE SHARES IS Rs. 10 AND THE ISSUE PRICE IS 30 TIMES OF THE FACE VALUE.**

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited (“NSE”) and The Bombay Stock Exchange Limited (“BSE”), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and at the terminals of the Syndicate.

In terms of Rule 19(2)(b) of the SCRR, this being an offer for less than 25% of the post Issue Capital, the Issue is being made through the 100% Book Building Process wherein atleast 60% of the Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. If atleast 60% of the Issue cannot be allocated to QIBs then the entire application money shall be refunded forthwith. Further, not less than 10% of the Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

#### **RISK IN RELATION TO FIRST ISSUE**

This being the first issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 and the Issue Price is 30 times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/ or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

#### **GENERAL RISKS**

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk

factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue, including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. The Company has not opted for IPO Grading.

**Specific attention of the investors is invited to the section titled “Risk Factors” beginning on page ix of the Prospectus.**

#### COMPANY’S ABSOLUTE RESPONSIBILITY

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

#### LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated March 28, 2006 and March 27, 2006, respectively. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <p><b>ANAND RATHI SECURITIES PRIVATE LIMITED</b> 54-55, Mittal Court ‘B’, Nariman Point, Mumbai 400 021, India. <b>Tel:</b> + 91 22 2287 1388 <b>Fax:</b> + 91 22 2283 5131 <b>E-mail:</b> plethico@rathi.com <b>Website:</b> www.rathi.com <b>Contact Person :</b> Mr Sachin Mehta</p>	 <p><b>INTIME SPECTRUM REGISTRY LIMITED</b> C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078 <b>Tel:</b> +91 22 2596 0320 <b>Fax:</b> +91 22 2596 0329 <b>Email:</b> plethicoipo@intimespectrum.com <b>Website:</b> www.intimespectrum.com <b>Contact Person:</b> Mr Vishwas Attavar</p>

#### BID/ ISSUE PROGRAMME

**BID/ ISSUE OPENED ON: APRIL 10, 2006 (MONDAY)**

**BID/ ISSUE CLOSED ON: APRIL 17, 2006 (MONDAY)**

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## SECTION I: GENERAL

### Definitions

Terms	Description
“Plethico” or “Company” or “our Company” or “we” or “us” or “Plethico”	Unless the context otherwise requires, refers to Plethico Pharmaceuticals Ltd, a limited Company incorporated under the Companies Act having its registered office at A.B.Road, Manglia – 453 771, Indore (M.P.).
“our Group” or “our Group Companies” or “Group Companies”	Unless the context otherwise requires, refers to those companies mentioned in “ Our Group Companies” on page 143 of this Prospectus

### Issue Related Terms and Abbreviations

Term	Description
ARSPL/ARS	Anand Rathi Securities Private Limited.
AGM	Annual General Meeting
Articles / Articles of Association	Articles of Association of Plethico Pharmaceuticals Ltd.
Auditors	The statutory auditors of the Company, M/s N.P.Gandhi & Co., Chartered Accountants.
Banker(s) to the Issue	ICICI Bank, HDFC Bank and Standard Chartered Bank
Bid	An indication to make an offer by a prospective investor to subscribe for Equity Shares of the Company at a price within the Price Band, during the Bidding Period and includes all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate Members to the Issue will not accept any Bids for the issue; any such date shall be notified through a notice in an English national newspaper, Hindi national newspaper and a regional newspaper
Bid/Issue Opening Date	The date on which the Syndicate Members to the Issue shall start accepting Bids for the Issue; any such date shall be notified through a notice in an English national newspaper, Hindi national newspaper and a regional newspaper
Bid-cum Application Form	The form in terms of which the Bidder shall Bid for the Equity Shares of the Company and shall, upon allocation of the Equity Shares by the BRLM and filing of the Prospectus with the RoC, be considered as the application for allotment of the Equity Shares in terms of this Prospectus .
Bidder(s)	Any prospective investor who makes a Bid for Equity Shares in terms of this Prospectus through the Book Building Process.
Bidding Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which period prospective investors can submit their Bids.
Board / Board of Directors	Board of Directors of Plethico Pharmaceuticals Limited or a committee thereof.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM	Book Running Lead Manager, in this case being Anand Rathi Securities Private Limited
BSE	The Bombay Stock Exchange Limited.

CAGR	Compounded Annual Growth Rate.
CAN / Confirmation of Allocation Note	Means the note, advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
CDSL	Central Depository Services (India) Limited.
CEPS	Cash Earning per Equity Share.
Companies Act	The Companies Act, 1956, as amended from time to time.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
Cut-off / Cut-off Price	The Issue price finalized by the Company in consultation with the BRLM
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
DP / Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer / allot the Equity Shares to successful Bidders.
Designated Stock Exchange	The Bombay Stock Exchange Limited.
DIP Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Director(s)	Director(s) of Plethico Pharmaceuticals Limited, unless otherwise specified.
Draft Red Herring Prospectus/DRHP	This Draft Red Herring Prospectus Means which is not a Prospectus issued in accordance with Section 60 of the Companies Act which does not have complete particulars on the price at which the Equity Shares are offered and number of shares. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing and allocation.
ECS	Electronic and Clearing System
EGM	Extraordinary General Meeting.
EPS	Earnings Per Share.
Equity Shares	Equity Shares of the Company of face value of Rs.10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank and in whose favour the Bidder will issue cheques in respect of the Bid and in which account the cheques/demand drafts will be deposited by the Syndicate Members.
Escrow Agreement	Agreement entered into between the Syndicate Members, the Company, the Registrars and BRLM for collection of the Bid Amounts and refunds of the amounts collected to the Bidders.
Escrow Collection Bank(s)	The banks in which the Escrow Account will be opened and which will act as such, in terms of this Prospectus and the Escrow Agreement.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under.
FII(s) / Foreign Institutional Investors	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.

Financial year/Fiscal/FY	The twelve months ended September 30 of a particular year (unless otherwise specified).
FIPB	Foreign Investment Promotion Board.
First Bidder	The bidder whose name appears first in the bid cum application form or revision form.
Floor Price	The price advertised by the Company prior to the Bid/Issue Opening Date, below which the Issue Price will not be finalized and below which no Bids will be accepted.
GoI	Government of India
HUF	Hindu Undivided Family
IPO	Initial Public Offering
Income-tax Act	The Income tax Act, 1961, as amended from time to time.
Issue	The issue of 36,66,667 new Equity Shares of Rs.10/- each by the Company under this Prospectus.
Issue Price	Price determined by the Company in consultation with BRLM on the Pricing Date after the bidding period and which shall be set forth in the Prospectus to be filed with ROC.
Issue Period	The period between the Bid/Issue Opening Date and Bid/ Issue Closing Date and including both these dates.
Margin Amount	The amount paid by the bidder at the time of submission of his/her bid, being 10% to 100% of the bid amount.
Memorandum / Memorandum of Association	The Memorandum of Association of Plethico Pharmaceuticals Limited.
MRTP	Monopolies and Restrictive Trade Practices Act, 1969.
NAV	Net asset value
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers, Retail Bidders or Employees.
Non-Institutional Portion	The portion of the Issue being 3,66,667 Equity Shares of Rs.10/- each available for allocation to Non-Institutional Bidders.
Non Residents	All Bidders who are not persons resident in India.
NRE Account	Non-Resident External Account.
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
OCB/ Overseas Corporate Body	Overseas corporate body, is a Company, partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRI's and includes overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRI's directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Pay-in-Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	Pay-in-Period means the period commencing on the Bid Opening Date and extending till the Bid Closing Date, during which the Bidders have to pay the maximum bid amount into the Escrow Account arising during the Bidding Period, unless such requirement is waived by the Syndicate Members for Bidders. In case of requirement of payment during the Bidding Period is waived by the Syndicate Members for Bidders, the closure of the Pay-in-Period for such Bidders, for payment into the Escrow

	Account, shall be within two calendar days of communication of the allocation list of respective Syndicate Member to them by the BRLM.
PAN	Permanent Account Number.
PAT	Profits After Taxation.
PBT	Profits Before Taxation.
P/E Ratio	Price/Earnings Ratio.
Price	Rs 300 per Equity Share
Pricing Date	The date on which the Company in consultation with the BRLM finalizes the Issue Price.
Promoters	Mr Shashikant Patel, Mr Chirag Patel and Ms Gauravi Parikh
Prospectus	The Prospectus to be filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information.
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Issue Opening Date.
QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI and state industrial development corporations.
QIB Portion	The portion of the Issue being 22,00,000 Equity Shares of Rs.10 /- each available for allocation to QIB Bidder(s).
RTGS	Real Time Gross Settlement
RBI	The Reserve Bank of India.
Registrars	Registrars to the Issue, Intime Spectrum Registry Limited
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs.100, 000 /- in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being 11,00,000 Equity Shares of Rs.10 /- each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
RoC	Registrar of Companies, Gwalior
RONW	Return on net worth.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
Stock Exchanges	The BSE and the NSE
Syndicate	The BRLM and Syndicate Member(s).
Syndicate Agreement	The agreement between the Syndicate Members and the Company to be entered into on the Pricing Date.
Syndicate Members	Collectively the BRLM and the Syndicate Members as disclosed in this Prospectus and are persons who are registered with SEBI and are eligible to act as Underwriters.
TRS or Order Confirmation Note	Transaction Registration Slip means the slip or document registering the Bids, issued by the Syndicate Member to the Bidder as proof of registration of the Bid upon submission of the Bid-cum-Application Form in terms of this Prospectus.
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The agreement between the BRLM, Syndicate Members and the Company

	to be entered into on the Pricing Date, April 19, 2006.
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### Glossary of Technical and Industry terms

ANDAs	Abbreviated New Drug Applications
API	Active Pharmaceutical Ingredients
BMS	Building Management System
CIS	Commonwealth for Independent States
CGMP	Current Good Manufacturing Practices, as defined by WHO
CNS	Central Nervous System
COMESA	Common Market of Eastern & Southern Africa
CVS	Cardiovascular System
DPCO	Drugs (Prices Control) Order, 1995
DG	Diesel Generation
EDI	Electrodeionisation unit
EPS	Earnings per share
ESIC	Employees State Insurance Corporation
F&D	Formulation Development
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GMP	Good Manufacturing Practices as defined by the WHO
HVAC	Heat, Ventilation and Air Conditioning
ICAI	The Institute of Chartered Accountants of India
ISR	Interim Sales Representatives
IDMA	Indian Drug Manufacturers' Association
KLs	Kilo litres
KVA	Kilo Volt Ampere
LAC	Latin American Countries
LAF	Laminar Air Flow
LLA	Loan License Agent
LT	Low Tension
LDB	Lightning Distribution Band
Mg	Milli gram
Mios/Mn	Million
Mmu	Millimass unit
MADP	Medicinal, aromatic and dry plants
MRP	Maximum Retail Price
M&D	Marketing and Distribution
MM&D	Manufacturing Marketing and Distribution
MTs	Metric tones
NCAER	National Council of Applied Economic Research
NCEs	New Chemical Entities
NDA	New Drug Application
NDD	New Drug Development
NDDS	Novel Drug Delivery Systems

NPPA	National Pharmaceutical Pricing Authority
OTC	Over the Counter
P&M	Plant and Machinery
PO	Polymethane
PDB	Power Distribution Board
R&D	Research and Development
RO	Reverse Osmosis
RONW	Average Return on Net Worth
SEA	South East Asian Countries
TGA	Therapeutic Goods Administration, Australia
UKMHRA	United Kingdom Medicines and Healthcare Products Regulatory Agency
ULP	Unfair Labour Practice
USFDA	United States Food & Drug Administration
WHO	World Health Organisation
WHO-GMP	World Health Organisation – Good Manufacturing Practices
WTO	World Trade Organization

## **CERTAIN CONVENTIONS; USE OF MARKET DATA**

Unless stated otherwise, the financial data in this Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Our current fiscal year commenced on October 1, 2004 and ends on September 30, 2005. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

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

For definitions, please see the section titled "Definitions and Abbreviations" on page i of this Prospectus. Unless stated otherwise, industry data used throughout this Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that industry data used in this Prospectus is reliable, it has not been independently verified.

### **CURRENCY OF PRESENTATION**

In the Prospectus, all references to "Rupees" and "Rs." and "Indian Rupees" are to the legal currency of the Republic of India. Through out the sections on 'Financial Information' in the Prospectus figures have been expressed in Millions. The term 'millions' means 'Thousand Thousand'.

Any percentage amounts, as set forth in "Risk Factors", "Our Business", "Management's Discussion and Analysis of Financial Conditions and Results of Operation" and elsewhere in the Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP. In the Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

## SECTION II: RISK FACTORS

### FORWARD-LOOKING STATEMENTS

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

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

- Increasing competition in and the conditions of the global and Indian pharmaceutical industry;
- changes in or termination of policies of state governments in India that encourage investment in pharmaceutical projects;
- general economic and business conditions in India and other countries;
- our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- changes in the value of the Rupee and other currencies;
- potential mergers, acquisitions or restructurings and increased competition;
- changes in laws and regulations;
- changes in political conditions in India;
- changes in the foreign exchange control regulations in India; and
- changes in the laws and regulations that apply to the industry, including tax laws.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” on page ix of this Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

## RISK FACTORS

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

*This Prospectus also includes statistical and other data regarding the Indian pharmaceutical industry. This data was obtained from industry publications, reports and other sources that the Lead Managers and we believe to be reliable. Neither the Book Running Lead Manager nor we have independently verified such data.*

### Internal Risk Factors

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

There are outstanding litigations against us, and our group companies. We are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, it could have a material adverse effect on our business and profitability.

##### A. Labour Disputes

1. Mr. Amresh Das has filed a suit for payment of salary amounting to Rs. 1,50,150 and a suit for payment of salary from January 2004.
  2. There are six disputes for reinstatement of former employees with back wages and benefits pending before the Labour Court at Kanpur. It is not possible to quantify the compensation payable by the Company, if any of these cases are held against the Company.
  3. There are 35 cases pending before the Labour Court, Indore for illegal termination of services and reinstatement with back wages. It is not possible to quantify the compensation payable by the Company, if any of these cases are held against the Company.
  4. The Factory Inspector has filed a proceeding before the Labour Court, Indore relating to the on-site emergency plans and the lack of inspection compliances.
  5. One employee, Mr. Mithur has filed a writ petition before the High Court, Bangalore for reinstatement after he lost the case at the various forums below the High Court. It is not possible to quantify the compensation payable by the Company, if this case is held against the Company.
- B. First appeals have been filed by M/s. Enterprise India and others, M/s. Uni Allied Pharmaceuticals and M/s. Medicina Sales in three separate matters.
- C. The Company is also involved in disputes with Lakme Limited and Shreya Life Sciences Private Limited.

For details, refer to the Section titled “Outstanding Litigation” on page no 201 of the Prospectus.

#### 2. *There are certain contempt of court proceedings against us*

**Management Perception:** The plaintiff (Shreya Life Sciences Private Limited) has acquired the entire Indian division of the pharmaceutical business of the Company named as ‘P & P Allopathic Pharmaceutical division’. This deal included the Indian sales team, Indian Ethical / prescription brands/ trademarks & the distribution setup as far as the Indian Ethical / prescription market is concerned. Thereafter, the plaintiff had entered into agreements, permitting the Company to manufacture certain preparations for the plaintiff for a

certain period after which the contract was terminated. The plaintiff alleges that the Company is manufacturing identical formulations with deceptively similar trademark and packaging and that Defendant No. 2, namely, Genecell Pharmaceuticals Ltd. is marketing the said infringing products. The suit has been filed to restrain the defendants from infringing the trademarks and passing off their goods as that of the plaintiff and to order the defendants to pay a sum of Rs.23,00,000 to the plaintiff as damages and such other monies towards costs and accounts.

The High Court has granted an ex parte interim injunction vide its order dated March 24, 2005 in favour of the plaintiff wherein the defendants stand restrained from selling and marketing pharmaceutical preparations under the trademarks V-PEN, PYRIZ, GENRIP, PULMO, VB-Q, GENTAX, G-SPAR and packaging as mentioned in the plaint. The matter is pending hearing.

Further, the plaintiff has filed 2 applications dated May 25, 2005 and August 17, 2005 alleging that the defendants are continuing to use, promote and advertise the trademark LYSIBAY and manufacture and sell products under the brand name GENTAX and have inter alia, prayed for the arrest of the directors of the defendants and the attachment of the properties of the defendants. The applications are pending hearing.

Since the matter is sub-judice, we are refraining from stating anything. However, we shall vehemently oppose the said proceedings.

3. ***While we have remitted the purchase consideration for the acquisition of the shares in various entities of the Rezlov group of companies and the shares are in various stages of transfer, however certain regulatory clearances are yet to be received to complete the registration of the Company as the shareholder in these Rezlov companies.***

**Management Perception:** We have remitted US\$ 29.91million to Pharmqual Investments - FZC towards acquisition of shares in various entities of the Rezlov group of companies, a pharmaceutical distribution chain, established as separate legal entities in various countries. While the share certificates have been received by us and forwarded for registering in the name of the Company, they are yet to be registered in favour of the Company by the said entities of the Rezlov group of companies pending clearance from regulatory authorities. We may not become a shareholder of such Rezlov companies in the event these Rezlov companies do not get clearance from the regulatory authorities in the various countries to register the said shares in favour of us or these Rezlov companies refuse to register the said shares in favour of the Company. However, we are hopeful that we will get clearances by September 2006. For details of the transaction, please refer to the section on “Investments” beginning on page 125 of the Prospectus.

4. ***A high degree of geographical concentration of business in a particular country or region potentially exposes us to higher risks on account of over exposure to that country's or regions economic or political volatility.***

**Management Perception:** Our operations are global in nature with six M&D Companies located in Russia and CIS, one Manufacturing M&D Joint Venture in Kenya and one M&D Joint Venture in Cambodia. These global operations bring with them inherent risks in terms of, amongst others, exchange rate fluctuations and other economic and political instability in those countries. In addition, the US dollar continues to be the dominant currency in which we invoice our products. However, we have already taken steps to correct this and a process of de-basketing has already begun and the current year share of CIS & Africa have paved way to increased share of Latin American, GCC & SEA nations as discussed in “Management Discussion and Analysis” on page 191 of the Prospectus.

5. ***If we are sued for defects in our products it could harm our reputation and our profits.***

**Management Perception:** Our business (pharmaceutical formulations) inherently exposes us to potential liability. So also, product liability claims could require a pharmaceutical company to spend money on litigation, divert management's time, damage a company's reputation and affect the marketability of a company's products. From time to time, the pharmaceutical industry has experienced difficulty in obtaining desired product liability insurance coverage. However, we currently export and in the future also intend to increase our focus on export of branded formulations, ayurvedic/ herbal preparations to Russia, CIS, African, Latin American, South East Asian & GCC countries, markets not really noted for its litigious nature in contrast to the regulated markets.

6. *We may be subject to liability in case of accidents involving our products due to non availability of insurance cover.*

**Management Perception:** We do not provide any product warranty. While no insurance has been obtained for contingent risks, there may arise a situation where the company is engaged in litigation which may give rise to potential claims. However, no such incident has occurred in the past.

7. *Travisil, one of the products manufactured by us, accounts for a significant portion of total revenue of the Company (14% of the total revenue for FY2005). This product would continue to be a significant part of the Company's product portfolio over the next 5-6 years. Consequently, the future profitability of the Company may be adversely affected by the volatility in the price of Travisil.*

**Management Perception:** Travisil is a Herbal Research product having a unique combination of 16 Herbs. It was first launched in 1998 in CIS. The product is now already well established in the CIS market and we are penetrating other markets. In CIS we have tried to ensure there is not much price deviation intra-markets. We have never targeted “Skim the Cream” policy; in fact, the pricing was very rational and has only been increasing over the period of time.

8. *The prices of the APIs consumed by the Company are susceptible to volatility .For these APIs, the demand for which is not dependent only on the Company, but is dependent on the demand by pharmaceutical industry as a whole. The other bigger players which are bigger consumers of these APIs tend to determine the market prices of such API's. Such volatility may adversely affect the profitability of the Company.*

**Management Perception:** The volatility in prices of the major API's would impact all the manufacturers in the pharmaceutical industry. Although we cover purchases to a certain extent in anticipation of any price increases, we are exposed to and will have to absorb any fluctuations in the prices of its raw materials.

9. *The Sub-Lease in respect of the properties in Indore has certain defects which may impose financial liabilities on us for non-registration of the sub-leases and for not remitting adequate stamp duty. We are dependant on our group entities for the use of the administrative offices in Indore and the sub-leases are dependent on the existence of the original lease.*

**Management Perception:** Our properties in Indore, where the administrative offices are located (plots No. 37, 38 and 39, Pologround, Indore) have been leased from the District Industries Centre, Indore by our group entities, namely Plazma Laboratories Private Limited, Plethico Laboratories Private Limited and M/s. Plethico Products respectively. We have obtained these properties on a sub-lease basis with the written approval of the District Industries Centre, Indore. However, these sub-leases have not been registered with the authorities, as required under the Registration Act, 1908 or been adequately stamped under applicable stamp laws. Further, these sub-leases are dependent on the existence of the original leases by our group entities Plazma Laboratories Private Limited, Plethico Laboratories Private Limited and M/s. Plethico Products and consequently are subject to certain restrictive covenants under the Lease Agreements, which confer the Districts Industries Commission with the authority to terminate the lease.

10. *There are restrictive covenants under our Loan Agreements*

**Management Perception:** We have entered into agreements with Bank of Baroda, State Bank of Indore, GE Capital Services and IDBI Limited (“Banks”) for short term loans and long term borrowings. These agreements contain certain restrictive covenants on certain activities, which require the prior written permission of the Bank in the event the Company is desirous of indulging in the said activities, such as the following:

- Not to incur capital expenditure for expansion/diversification/modernization.
- Not to allow promoters to disinvest/transfer their shareholdings.
- Not to effect any merger or acquisition.
- Not to pay any dividend otherwise then out of the current year's earnings after making due provisions.
- Not to alter any charge on any or all of the assets or properties of the Company.
- Not to alter the Memorandum or Articles of the Company.
- Not to change or in any way alter the capital structure of the Company.

Further, the Working Capital Loan Agreement we have entered into with Bank of Baroda restricts us from opening a current account in any bank other than Bank of Baroda without its prior approval. The Company has also availed of a loan from IDBI Bank Limited to acquire property, which loan agreement also contains certain restrictive covenants.

- 11. We may face a claim of liquidated damages from Pharmqual Investments – FZC due to possible breaches of certain provisions of the memorandum of understanding in respect of the acquisition of a further 12% stake in a company in Moldova forming part of the Rezlov group of companies.**

**Management Perception:** We have entered into another memorandum of understanding dated July 22, 2005 with Pharmqual Investments - FZC to purchase a further 12% stake in a company in Moldova in which we were holding 51%, forming part of the Rezlov group of companies. In terms of the said memorandum of understanding, we had to remit the purchase consideration within 180 days of execution of the memorandum of understanding, failing which, Pharmqual Investments shall be entitled to forfeit an amount equal to 20% of the sale consideration as liquidate damages. However, Pharmqual Investments – FZC has granted time till June 30, 2006 for the Company to make the payment

- 12. Certain charges on our assets, for the borrowings made in the past, continue to persist in the register of charges maintained by the Registrar of Companies despite such borrowings having been repaid in full.**

**Management Perception:** It is a usual practice to create charges against assets in favour of a lender/lenders depending upon the terms of sanction for such loans. In the past, we have created various charges in favour of certain lenders against the properties of the Company, movable and immovable, present and future, including the goodwill of the Company, which were registered in favour of those lenders with the Registrar of Companies, Gwalior. After the repayment of such loans by us we had obtained no dues certificates from the respective lenders and filed the necessary form with the Registrar of Companies, for recording the due satisfaction of some of these charges. We had availed of certain working capital facilities from Central Bank of India, Indore. We have paid off these facilities. However, certain charges in favour of Central bank of India continue to exist against our assets as evidenced by the register of charges maintained by the Registrar of Companies, which are under follow up.

- 13. We have given land owned by us as security to the Courts for withdrawing monies deposited in Court in connection with certain litigations. In the event the litigation matters are decided against us and we fail to return the monies so withdrawn, we may have to transfer the said properties.**

**Management Perception:** Five plots of land have been offered to the Court as security in connection with three legal cases faced by the Company. Plot No. 813/2/1 at Village Dharawara of 0.838 hectares has been offered as security to the District Court, Indore for an amount of Rs. 50,00,000 in the dispute with Miami Pharma & Chemicals (P) Ltd. (Lakme Ltd.). Plot No. 364/1 at Village Dharawara of 0.729 hectares and Plot No. 823/6 at Village Dharawara of 0.821 hectares has been offered to the District Court, Indore as security in the ongoing dispute with M/s. Enterprises India. Plot No. 823/2 at Village Dharawara of 0.821 hectares and Plot No. 823/1 at Village Dharawara of 1.642 hectares has been offered to the District Court, Indore as security in the ongoing dispute with M/s. Uni Allied Pharmaceuticals. For details of the legal cases, please refer to the section on “Litigation” on beginning page 201 of the Prospectus.

- 14. Our inability to fulfill export obligations under the Export Promotion Capital Goods Scheme could result in potential custom duty liability.**

**Management Perception:** We have 14 advance licenses under the Advance Licence and Export Promotion Capital Goods Scheme aggregating an outstanding export obligation of approximately Rs. 36,47,49,102 as on December 31, 2005. We have imported capital goods under the Export Promotion Capital Goods Scheme without payment of import duty for which we had undertaken to meet certain quantum of export requirements. Unfulfilled obligations under the Export Promotion Capital Goods Scheme of the Kalaria Unit of the Company as on December 31, 2005 amount to Rs. 31,73,12,495 whereas the unfulfilled obligations under the Export Promotion Capital Goods Scheme of the Manglia Unit of the Company as on December 31, 2005 amount to Rs. 4,74,36,607. While we have over-achieved our export commitments in the past, our inability to fulfill these future export obligations could result in potential custom duty liability.

- 15. We may face action by the Government of India under the Special Economic Zone scheme leading to certain financial liabilities in the event we fail to achieve a positive net foreign exchange earning as stipulated under the Special Economic Zone scheme.**

**Management Perception:** We have entered into an agreement dated March 22, 2004 with the President of India acting through the Development Commissioner of Kandla SEZ in respect of setting up of a unit by the

Company in the Kandla SEZ. Under the said agreement, the unit is required to achieve a positive net foreign exchange earning cumulatively over a period of 5 years as provided in the SEZ scheme. While we have over-achieved our positive net foreign exchange commitments in the past, our inability to fulfill future positive net foreign exchange obligations could result in potential action as stipulated under the SEZ Scheme.

**16. We have issued bank guarantees and letters of credit (L/C's).**

**Management Perception:** As on 30<sup>th</sup> September 2005, an amount of Rs 1.05 million was pending towards letters of credit. Bank of Baroda has issued a bank guarantee on behalf of the Company for a sum of US\$ 512,500 in favour of the General Company for Marketing Drugs and Medical Appliances, Baghdad, Iraq. The Bank of Baroda has also issued two other bank guarantees on behalf of the Company, one for a sum of US\$ 113,174 in favour of the Permanent Secretary, Health Ministry, Uganda as Performance Security to Contract No MOH-GF/SUPLS /04/05/00038/01/01 dated August 23, 2005 for supply of certain supplies and related services and another for a sum of US\$ 75,124 in favour of the Permanent Secretary, Health Ministry, Uganda as Performance Security to Contract No MOH-GF/SUPLS /04/05/00033/01/08 dated August 23, 2005 for supply of certain supplies and related services.

As of date there has not been any default whereupon these bank guarantees could be invoked. We can not assure you of the same and that the parties would not seek to payment under the bank guarantee or the letters of credit.

**17. Our revenues and profitability are dependent on a number of factors, and may vary significantly from quarter to quarter. Therefore, our historical financial results may not be an accurate indicator of our future performance.**

**Management Perception:** Our growth, both organic and inorganic, has varied from year to year in recent years and may vary significantly in the future from year to year.

Our revenues and profitability are dependent on a number of factors, such as:

- Introduction of new pricing policies, services or products by us or our competitors;
- Our ability to complete mergers and acquisitions and also successfully integrate with such entities;
- Our ability to respond to changes in laws;
- Effect of global regulatory changes on products which are also manufactured and/or marketed by us;
- Currency exchange rate fluctuations, particularly of the Indian Rupee against the U.S. Dollar;
- Fluctuations in interest rates; and
- General economic and political conditions.

As a result of the foregoing uncertainties, the period-to-period comparisons of our historical and continuing business results of operations may not be an accurate or meaningful indicator of our future performance.

**18. Our Revenue basket focuses on a limited number of therapeutic areas, our business may be materially adversely affected if our products in these therapeutic areas do not perform as expected or if substitute products become available or gain wider market acceptance.**

**Management Perception:** Presently our business is focused on nine main therapeutic areas. We derive a substantial portion of our revenues from the sale of products in these therapeutic areas, namely, antimalarials, antituberculars, Cough & Cold, NSAIDs, Nutraceuticals, antibiotics, antibacterials and herbal products. If the market growth in these therapeutic areas or the profit margins for products sold in these therapeutic areas decline, our results of operations could be adversely affected. Also, in the event of any breakthroughs in the development or invention of alternative drugs for these therapeutic areas or in the increase of competition in these therapeutic areas, we face the risk of our products becoming obsolete, or being substituted to a greater or lesser extent by these alternatives. Further, we may not be able to expand our presence in other therapeutic areas in the pharmaceutical industry. Any material adverse developments with respect to the sale or use of products in these therapeutic areas, or failure to successfully introduce other products in other therapeutic areas, could have a material adverse effect on our revenues. However, we have already undertaken to broaden our product basket.

19. *We have significant planned capital expenditures; our capital expenditure plans may not yield the benefits intended. The capital expenditure mentioned in the Objects of the Issue has not been appraised by any bank or financial institution.*

**Management Perception:** Our operations require significant capital expenditure to be utilized for the purpose of up gradation of Kalaria plant for UKMHRA requirements, R&D / F&D activities, setting up our new facility at J & K, for setting up Corporate House in Mumbai. The capital expenditure plan for our facility at J&K is Rs. 300 million and for up gradation of Kalaria Plant it is Rs. 250 million. For more details on our planned capital expenditure please refer to the section entitled “Objects of the Issue” beginning on page 26 of this Prospectus. The figures in our capital expenditure plans are based on management estimates and have not been appraised by any bank, financial institution or other independent organization. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals; availability of financing on acceptable terms; and changes in management’s views of the desirability of current plans, among others. The actual amount and timing of our future capital requirements may differ from our estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, engineering design changes, weather-related delays and technological changes. In view of the reasons stated above, we cannot assure you that we will be able to execute our capital expenditure plans as contemplated. If we experience significant delays or mishaps in the implementation of our capital expenditure plans or if there are significant cost overruns, then the overall benefit of such plans to our revenues and profitability may decline. To the extent that completed capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be negatively affected.

20. *We have not entered into any definitive agreements to utilize the proceeds of the Issue.*

**Management Perception:** We intend to use the net proceeds of the Issue for the capital expenditures described in section “Objects of the Issue” beginning on page 26 of this Prospectus. We have entered into definitive agreement for the acquisition of a unit in Jammu, starting work for up gradation of Kalaria plant and also the structure for R&D project. However we have not entered into any definitive agreements for corporate office to utilize such net proceeds. Pending any use of the net proceeds of the Issue we intend to invest the funds in liquid instruments. We intend to rely on our internal systems and controls to monitor the use of such proceeds. Changes in foreign exchange rates adversely affecting the value of the Rupee may adversely affect the cost of the projects envisaged.

21. *We face growing and new competition from domestic and international players that may adversely affect our competitive position and our profitability.*

**Management Perception:** Significant additional competition in the markets where we sell our products may erode our market shares and may result in reduced prices and thereby may negatively affect our revenues and profitability. Competition from competent low cost competitors may adversely impact our revenues, particularly from sales of herbals and nutraceuticals.

In most of our export markets, global players are significantly larger than us and have significantly stronger market positions, production capacities and greater financial resources than we do. These market participants include other small, limited-service providers and a number of full-service global companies. The larger competitors have a much broader portfolio of business, greater resources and more experience than smaller companies.

22. *Failure to manage the integration of the businesses or facilities we acquire may cause our profitability to suffer.*

**Management Perception:** We have pursued acquisitions, divestitures and joint ventures as part of our growth strategy. We intend to continue entering into acquisitions and strategic alliances. Our acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. Our acquisitions may give rise to unforeseen contingent risks or latent liabilities relating to these businesses that may only become apparent after the merger or the acquisition is finalized. We could have difficulty in assimilating and retaining the personnel, operations and assets of the acquired company. The loss of any available tax exemptions that may be available pursuant to any acquisition may adversely impact our results of operations. These difficulties may disrupt our ongoing

business, distract our management and employees and increase our expenses and may materially affect our profits.

Further, we may not be able to accurately identify or forge an alliance with appropriate companies in line with our growth strategy. In the event that the alliance does not perform as estimated, our operations may be materially adversely affected.

23. *We manufacture our products under various trademarks, some of which trademarks are not registered in the countries to which we export our products. Any misuse of our trademarks in those countries may cause damage to our reputation and goodwill and may also result in loss of business.*

**Management Perception:** We have so far not obtained registration of these trademarks in countries to which we export our products otherwise than on selective basis for selective countries which in the opinion of the Management are material. Any misuse of any of these unregistered trademarks by an unscrupulous person or entity in those countries can cause serious damage to our reputation and goodwill and may also result in a loss of business. Further, laws of these countries may afford little or no effective protection to our trademarks and any unscrupulous person or entity may be able to misuse our trademarks and impact our business by causing serious damage to our reputation, goodwill, and/or sales.

24. *The trademarks may not be registered in the name of our Company.*

**Management Perception:** We have applied for the registration of certain trademarks in our name. We cannot assure you that the registration of the trademarks will be issued in the name of our Company and that our Company will be the registered owners of the same.

25. *One of our business segments is providing custom manufacturing services to reputed clients. Therefore, factors that adversely affect the economic health of, or demand for products of these companies, may adversely affect our business.*

**Management Perception:** Presently, we have not entered into a substantial number of custom manufacturing contracts and we cannot assure you that we will be able to enter into any further such arrangements. Further, any delay in execution and shipment of orders, failure to maintain quality controls, breach of contract or inadequate indemnity will have an adverse effect on our revenues.

Our contracts may be terminated with cause and with little or no notice or penalty, which could negatively impact our revenues. Most of our contracts can be terminated with cause, with specified notice periods and without termination related penalties.

The delay in the off take by the clients under our custom-manufacturing contract may also adversely impact our result of operations.

26. *Failure to comply fully with government regulations applicable to our research and development activities or the manufacture of our products may delay or prevent us from developing or manufacturing our products.*

**Management Perception:** The submission of an application to a regulatory authority does not guarantee that a licence to market the product will be granted. Each authority may impose its own requirements and/or delay or refuse to grant approval, even when a product has already been approved in another country. In our principal markets, the approval process for a new product is complex, lengthy and expensive. The time taken to obtain approval varies by country but generally takes from six months to several years from the date of application. This registration process increases our cost of developing new products and increases the risk that we will not succeed in selling them successfully.

If we fail to receive such approvals or if we fail to comply fully with such regulations whether presently or in future, then our ability to supply our products to key markets in Russia, CIS and Africa would be significantly impaired, which could in turn lead to a decrease in overall profitability.

27. *If we do not effectively manage our international operations or the operations of our foreign M&D companies, these operations may incur losses or otherwise adversely affect our business and results of operations.*

**Management Perception:** We expect to increase our revenue generated from our international operations in the future. We operate our business through our M&D companies in some countries, and we also rely on joint venture arrangements with companies located in such overseas jurisdictions to enable us to accelerate the licensing of our products in such markets, or to provide additional marketing opportunities in relation to our products. As a result, we are subject to risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain intermediates, drugs, technologies and multiple and possibly overlapping tax structures. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. If we do not effectively manage our international operations and the operations in these subsidiaries, we may lose money in these countries and it may adversely affect our business and results of operations.

28. *While investing in the overseas ventures of the Company, the Company has represented certain earning potential, repatriation projections and other financial data in respect of these overseas ventures to the RBI. We may have to face action from the RBI leading to certain financial liabilities as per the provisions of FEMA in case we are not able to adhere to the projected financial data or are unable to obtain necessary permission for waiver or rescheduling from RBI.*

**Management Perception:** We have invested US\$30.32 million in our overseas investments and have made the necessary filings with the RBI in respect of the same for which we have received approvals also. In the filings, we have provided certain financial details including the profitability projection of the overseas ventures for the next 5 years, projected repatriable entitlements of the overseas ventures for the next 5 years, projected non equity exports of the overseas ventures for the next 5 years. We may be liable for action from RBI leading to certain financial liabilities in case the projections mentioned in the filings are not adhered to or not amended by the RBI or a waiver is not granted to us. However, till date we have over achieved the projections given.

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

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

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

30. *Costs of our raw materials and our fuel costs may fluctuate as they are linked to global commodity prices, which are outside our control.*

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

**31. *Our Promoters and promoter group will control us as long as they own a majority of our Equity Shares, and our other shareholders will be unable to affect the outcome of shareholder voting during such time.***

**Management Perception:** After completion of the Issue, the Promoters and promoter group will continue to own approximately 87% of our issued Equity Share Capital. So long as the Promoters and promoter group own a majority of our Equity Shares, they will be able to elect our entire board of directors and remove any director, by way of a resolution approved by a simple majority of shareholders in a general meeting. The Promoters and promoter group will be able to control most matters affecting us, including the appointment and removal of our officers; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; our dividend payout; and our capital structure and financing. Further, the extent of Promoters and promoter group shareholding in us may result in delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to our other shareholders.

**32. *Our success depends upon our senior management and key personnel and our ability to attract and retain them. Our future performance will depend upon the continued services of these persons. We may not be able to retain our senior management personnel or attract and retain new senior management personnel in the future. The loss of any of these key personnel may adversely affect our business and results of operations.***

**Management Perception:** Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain highly skilled personnel, particularly for research and development activities. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. Further, we cannot assure you that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in our business.

We cannot assure you that some of our senior executives and top management will continue to work with us in the future.

**33. *We face risks arising out of fluctuations in exchange rates and interest rates.***

**Management Perception:** As of September 30, 2005, approximately 68% of our sales is derived from exports. We propose to increase our sales from exports. An adverse change in currency exchange rates will increase the cost of our imports as and when it happens. Additionally, changes in interest rates may affect the cost of our financing.

**34. *The Contingent Liabilities could adversely affect the financial condition. As of December 31, 2005 the contingent liabilities, not provided for, are enlisted in the following table. If these contingent liabilities materialise, fully or partly, our financial condition could be adversely affected.***

**Management Perception:**

(Rs millions)	
Dec 31, 2005	
Pending Bank Guarantee	13.19
Pending Letter of Credit	7.98
Unexecuted Contract	0.32
	<b>21.49</b>

In the event such contingent liability materializes it may have an adverse affect on our financial performance.

**35. *We require certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.***

**Management Perception:** We require certain approvals, licenses, registrations and permissions for operating our business, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, see the section titled "Licenses

and Approvals” on page 206 of this Prospectus. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

36. *We have issued shares at a price lower than issue price within the last 12 months. For further details refer the section titled “Capital Structure” on page 18 of the Prospectus.*

37. *One of the Objects of the Issue is to part finance acquisition of a Company or a Brand. However the target has not been identified.*

**Management Perception:** We have always believed that inorganic growth is a faster way to scale up and grow. We target to acquire a strategic stake of upto 40% in an Indian Company dealing in higher end therapeutic segment like Diabetes, anti Cancer, Anti AIDS, Cardiac etc thus enduring in the process contract manufacturing orders from this acquired company. We will also be able to synergize marketing of our own products through this acquired company in markets in which we are not present and also vice versa besides in common markets, the non competing products could be marketed thorough common distributors. We are in the advanced process of identifying companies and in talks with some of the target companies for acquisition.

38. *Conflict of interest in promoter group companies*

**Management Perception:** We have two group companies, Plethico Laboratories Private Limited and Plazma Laboratories Private Limited and a partnership firm, Plethico Products having objects and business similar to our Company. Interests of these companies may conflict each other. Further, our Promoters may incorporate more companies or partnership firms to undertake similar line of business, which may compete with the Company.

39. *Unsecured loans in the Company can be recalled by lenders on demand.*

**Management Perception:**Unsecured loans worth Rs 1.49 Mn have been given by Mr Chirag Patel, our CEO of the Company.

40. *The objects of the Issue for which funds are being raised have not been appraised by any bank, financial institution or an independent organisation*

**Management Perception:** The requirement of funds as stated in the section titled ‘Objects of the Issue’ on page no. 26 of this Prospectus is based on the internal management estimates and has not been appraised independently by any bank, financial institution or any independent organisation. All the figures included under the “Objects of the Issue” are based on our own estimates.

## External Risk Factors

### ***1. The price of our Equity Shares may be highly volatile***

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The prices of our Equity Shares on the Indian Stock Exchanges may fluctuate after this Issue as a result of several factors including:

- a) Volatility in Indian and global securities market;
- b) Our results of operations and performance;
- c) Performance of our competitors and perception in the Indian market about investment in our sector;
- d) Adverse media reports on the Company or the industry;
- e) Changes in the estimates of our performance or recommendations by financial analysts;
- f) Significant development in India's economics liberalization and de-regulation policies; and
- g) Significant development in India's fiscal and environmental regulations.

There can be no assurance that the price at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue. Future sales by current shareholders could cause the price of our shares to decline.

If our existing shareholders sell a substantial number of our Equity Shares in the public market, the market price of our Equity Shares could fall. Sales or distributions of substantial amounts of our shares by existing holders, or the perception that such sales or distributions could occur, could adversely affect prevailing market prices for our shares.

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

The Book Building Process will determine the Issue price of our Equity Shares. This price will be based on numerous factors (discussed in the section "Basis of Issue Price" on page 53 of this Prospectus) and may not be indicative of the market price for our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue price. We cannot assure you that you will be able to resell your shares at or above the Issue price. Among the factors that could affect our share price are:

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

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

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

### ***4. Our profitability would decrease if the Government of India or various states including the State of Jammu & Kashmir reduced or withdrew tax benefits and other incentives it currently provides to us.***

The statutory corporate income tax rate inclusive of surcharge in India is currently 33.33%, excluding educational cess. We cannot assure you that the tax rate will not be increased in the future. We currently take advantage of various income tax exemptions and deductions, which are applicable to companies engaged in export and R&D activities. Specifically, we avail of benefits under Section 10A of the Income Tax Act, 1961 and benefits for our plant at J&K being located in an area covered by Section 80 IB of the

Income Tax Act, 1961. For details, please refer to the section entitled “Statement of Tax Benefits” on page 56 of this Prospectus. The Government of India has announced the gradual elimination of some of these benefits, such as Section 10A of the Income Tax Act, 1961 from the assessment year beginning on April, 2010 and for Section 80IB up to 2017. The loss or unavailability of these benefits would likely increase our income tax obligations and have a material adverse effect on our profits and cash flow.

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

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

**6. *Force majeure events, particularly those affecting the states of where our facilities are located, could adversely affect our business.***

We are headquartered in the state of Madhya Pradesh and our facilities are located across India. It is possible that earthquakes, cyclones, floods or other natural disasters in India, particularly those that directly affect the areas in which our facilities and other operations are located, could result in substantial damage to our manufacturing facilities and other assets and adversely affect our operations and financial results.

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

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

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

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

**9. *Disruptions or lack of basic infrastructure such as our electricity supply and water supply could result in an increase of manufacturing costs.***

Any disruption in basic infrastructure, such as supply of electricity or water supply etc. could substantially increase our manufacturing costs. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power is disrupted. Any disruption of the existing power or failure to obtain additional power as required by us may result in additional costs on us and have an adverse effect on our business, results of operations and financial condition.

**10. Changes in trade policies may impact us.**

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

**11. A slowdown in economic growth in India could cause our business to suffer.**

The Indian economy has shown sustained growth over the last few years. The estimate of GDP released by the Central Statistical Organization has placed the GDP growth at 6.9% in fiscal 2005. GDP in India grew at 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. India's GDP growth for the first quarter of fiscal 2006 (April-June) accelerated to 8.1% from 7.6% in the corresponding period last year, signaling continued strong growth. (Source: Macroeconomic and Monetary Developments – Mid-Term Review 2005-06, Reserve Bank of India.) Any slowdown in the Indian economy and the consequent impact on disposable income could adversely affect our advertising income, which could adversely affect our results of operations.

**12. Imposition of anti-dumping duties by importing countries**

Imposition of anti-dumping duties by importing countries for protecting their domestic industry from the onslaught of import may adversely affect our ability to export our products and may have an adverse impact on our business.

**13. Any downgrading of India's debt rating by an international rating agency could negatively impact our business.**

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

**Note to Risk Factors:**

- Public Issue of 36,66,667 Equity Shares of Rs.10/- each at a price of Rs. 300/- for cash aggregating Rs. 1100 million. The Issue to the public would constitute 10.76 % of the fully diluted post issue paid-up capital of the company.
- The Book Value per Equity Share of Rs.10/- each is at Rs 345.18 as at September 30, 2005 as per our restated unconsolidated financial statements under Indian GAAP. Pursuant to allotment of additional Equity Shares after September 30, 2005 the Book Value per Equity Shares stands decreased to Rs.92.39 for the quarter ended December 31, 2005.
- The Net Worth of our Company is Rs. 2623.43 Million as at September 30, 2005 and Rs 2808.87 Million as on December 31, 2005 , as per our restated financial statements under Indian GAAP.
- The average cost of acquisition of the Equity Shares by the promoters is as under:

Sr. No	Name of the Promoter	No. of shares held	Average Cost of Acquisition
1	Mr Shashikant Patel	2,95,70,780	Rs. 0.86
2	Mr Chirag Patel	34,000	Rs. 2.28
3	Ms Gauravi Parikh	400	Nil

- For details on interest of promoters refer to the section titled "Our management" on page no. 127
- For related party transactions, please refer to the section entitled "Related Party Transactions" on page 147 of this Prospectus.
- Investors may note that in case of over-subscription in the issue, allotment to Qualified Institutional Investors, Non Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, refer "Basis of Allotment" on page 248 of this Prospectus.
- Investors may contact the BRLM or the Compliance Officer for any complaints, clarification or information pertaining to the Issue who will be obliged to provide the same to the investor.**

9. Investors are advised to refer to the paragraph entitled “Basis for Issue Price” on page 53 of this Prospectus before making an investment in the Issue.
10. On February 10, 2006 Mr. Shashikant Patel has sold 7, 60,000 Equity Shares. For more details, please refer to section titled ‘Capital Structure’ page 18 of this Prospectus.
11. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
12. For related party transactions and transactions with significant shareholders, please refer to the sections entitled “Managements’ Discussion and Analysis of Financial Condition and Results of Operations” on page 191 of this Prospectus, “Related Party Transactions” on page 147 of this Prospectus and “Our Promoters” on page 140 of this Prospectus.
13. For any material changes and developments occurring till the date of listing and trading commencement the same shall be updated.

## SECTION III: INTRODUCTION

### SUMMARY

You should read the following summary together with the Risk Factors on page ix of this Prospectus and the more detailed information about Plethico Pharmaceuticals Ltd and its financial statements included in this Prospectus.

### Overview

We have from the inception (the start of the Plethico group's operation dates way back to 1963 under the name of Plazma Laboratories for marketing generic drugs) been a formulation manufacturer, always believing in innovation. We pioneered introduction of Doxycycline based unique anti-biotic formulation under the brand name "Minicycline" and Co-Trimoxazole based unique anti-bacterial formulation under the brand name "Timizol". We also introduced for the first time in India, novel ayurvedic / herbal preparation under the brand name –Syndrex (Single Herb Methi extract was used to combat the new generation disease "Syndrome X") and also launched other products like Octogen, Previl, and were one of the first to launch allopathic combipacks, kit packs and bi-layer tablets. Keeping with this spirit, we diverted our attention from the local ethical market to the lucrative OTC market in India and took a quantum jump on our operations on the Export front currently, the semi regulated / un regulated markets of Eastern Europe, Common Wealth of Independent States (CIS), South East Asian (SEA) nations, Gulf Co operation Council (GCC) Countries, Latin American Countries (LAC), Africas.

We have always adopted the "Branded Generic" model for marketing our allopathic formulations In India. So, this model has been replicated in the semi-regulated markets spanning Asia, Africa, Latin America and Russia/CIS regions.

Our formulation business operates in over 45 countries including India. The company employs approximately 250 sales personnel across these markets; of these over 150 sales representatives and front line-managers are employed in markets outside India.

We have divided our business into SBU's which operate independently and is a profit centre in itself. This helps the smooth running of the business and also enables us to take decisions faster ensuring that we do not miss any opportunity to do business.

**A.** In India, we currently have three SBU's in the OTC segment apart from the Contract Manufacturing / Toll Manufacturing SBU –

These SBUs currently has strength of around 100 sales personnel (including ISR). We intend to raise the field force team in the near future to be able to man the length & breadth of India and in the process also develop a strong M&D back bone which can be used as a spring board for quantum jump in the near future for expanding activities in India

**a. "Nutriscience (Sports Nutrition & Supplement) SBU"** - This SBU has been actively marketing niche products like sports nutrition – under the umbrella brand name "Coach's Formula", this includes products like Super Protein, Super Creatine, Weight Gain, Weight loss, Muscle Mass, Tone & Tighten, L-Glutamine, and Energizer which presents a complete bouquet of products which a health conscious individual, athlete, sports person would consume and eminent coach's would suggest.

**b. "Confectionary SBU"** - The Confectionary SBU markets herbal candies under the umbrella brand name of "Byte" & "Actifresh". It has launched 8 flavours of Byte in the market which have already been well accepted and plans to launch shortly another 24 flavours. .

**c. "OTC SBU"** – This SBU basically deals with the foot care & oral care segment. The foot care segment would cover a wide range of applications like cracks in winter on the foot which are devoid of moisture, odour freeing

agent for the foot, and the like. Besides this, the Oral care would be a complete herbal range under Travisil umbrella brand, which will cater to the throat cough in lozenges form, syrup form, bouquet of oral products like herbal tooth paste, mouthwash and dental range.

## **B. EXPORT SBU**

On the export front the real focus started in 1996 after the advent of Mr.Chirag Patel, our CEO, who visited the CIS & African markets for long stints and travelled across these markets scouring for business opportunities. CIS business initially was mainly concentrated on Turkmenistan, Georgia, and Latvia and was mainly trading items to begin with. We started off with almost 100% trading items on our product list like Disposable Gloves, syringes, IV Sets, BT sets, etc. This trend was reversed after the advent of Global Distributor M/s. Tricon LLC, UAE, who actually gave path breaking access to Plethico in the CIS market. We, before taking the inorganic growth option of acquiring Rezlov, converted the almost 100% trading items portion to almost 100% own branded generics. We acquired majority stake in Rezlov group of companies keeping in line with our M&D strategy. The African market was serviced by way of sporadic tenders till we earned a reputation of delivering quality products on time and now we are set to service this vast African market through our MM&D structure in Kenya.

We have always adopted “*do in Rome as Romans do*” concept in each of the markets we have entered. CIS entry needed disposables items, so entry was through disposables, but long term goal was to establish as a broad based branded generic player, which we have achieved by offering more than 125 products across CIS markets which cater to various therapeutic categories. Africa has been a traditional tender market, which needs strong Anti TB, Anti malarial therapeutic presence, which has been our forte even in the domestic ethical market. We topped the Anti Malarial segment of Quinines and also ranked 3<sup>rd</sup> amongst top 5 Anti TB Companies in India, with the revolutionary 3/4 drug FDC (Rifampicin+Ethambutol+ Isoniazid & with or without Pyrazinamide) (AC Nielson ORG MARG January 2003). We have entered into a Manufacturing JV with a local partner – Mr Jayesh Saini in Kenya. This JV unit will help us achieve long term goal of establishing as a major player in the African sub continent. This is possible because the tender strength coupled with local manufacturing base in Africa translates to direct preferential entry into the (Common Market of Eastern & Southern Africa) COMESA Countries.

We currently have presence in niche segments like Herbal medication, NDDS, Cardiovascular, Diabetology and other Lifestyle drugs, nutraceuticals, medicated candies, food supplements and OTC / Consumer Products besides already being present in branded Generic formulations. We also focus on Contract Manufacturing as one of the important business areas of growth and offer both toll manufacturing and packaging operations to several domestic as well as international companies of repute. Plethico today has exports to more than 45 countries. The Company has more than 400 formulations in more than 39 therapeutic segments and a turnover of Rs 2241.18 Mn for the year ended September 2005.

### **Our Competitive Strengths**

- Non infringing model of Business
- State of art manufacturing units in Indore possessing capability of manufacturing all possible dosage forms.
- Strong formulation development technique including NDDS like effervescent tablets.
- Strong M&D tie up in Russia, CIS & Cambodia
- Strong management team and motivated workforce
- Foray into Backward Integration for cultivating essential critical herbs for captive consumption thus enabling high end finger printing technology for herbal formulations
- Strong system oriented company
- Product list exceeding 400, transcending more than 39 therapeutic categories exporting to more than 45 countries across the globe
- Consistently growing PAT margins at CAGR of 29.72 % over the past 5 Years.

### **Our Strategy**

Our vision is to be a global healthcare company by the year 2010, offering products of highest quality, backed by state of the art manufacturing and R & D facilities, to have a strong presence in the area of consumer healthcare business and nutraceuticals, both in the domestic as well as the international market.

In this direction we have invested heavily on building up capacities and the coming times will bear testimony to this investment. We have also not stopped short only on capacities, in fact we have entered into backward integration on two different platforms. One being the sophisticated state of the art “Klockner Hansell GMBH” Machine for manufacturing world class lozenges and the other being the “Aoki Japan” machine for making PET bottles. For both these investments the foresight was based on the tremendous response that we received for our products overseas viz, Travisil Lozenges & the Travisil Syrup. We intend to use the Lozenge making machine to greater advantages like entering the confectionery market to set up a distribution channel which will give us the reach to cover the length & breadth of India and also for certain advanced formulation development projects like centre filled sugar free lozenge containing Vitamin supplements at the centre for the diabetic patient in high precision dose and also a Lozenge which will provide relief to cancer patients undergoing traumatic experience after undergoing radio & chemo therapy.

We have invested in future growth by building a two pronged investment footprint. One, “*Organic growth footprint*” - build robust facilities which will comply to world standards and Two, “*Inorganic Growth footprint*” - Invest strategically into strong setup’s either a Marketing & Distribution outfit (called M&D Strategy) or a “Manufacturing cum M&D” outfit (Called MM&D Strategy).

We have traditionally ventured into any export market on the following foot print:

- Identification of Market
- Personal visit by the CEO to get a first hand assessment of the situation.
- Identification of correct partner to begin with – Start Seed Marketing.
- Assess the SWOT of the Country especially with reference to Foreign Exchange regulations. → CRITICAL
- If above found favourable → build on relation by creating jointly a M&D structure. → MILESTONE 1
- Develop neighbouring markets by using base for servicing local needs.
- If key parameters satisfied based on internal assessment & monitoring of data, Country, Partner → Move to MM&D Structure. → MILESTONE 2

The above path of MM&D has already been attained as far as Kenya is concerned, where the plant has been put up. Once the plant is commissioned, it will cater to the COMESA. The path of M&D has already been achieved in CIS (6 countries) and SEA (1 Country). In all the other countries (including other CIS Countries) we have still not reached milestone 1 as stated above. It is still operating through distributors in these countries either due to volume not having reached benchmark levels or due to stability of country in terms of foreign exchange being on “watch” mode.

In case of M&D, we believe that, with our strength of churning out any product demanded by the market due to our existing capability of manufacturing all kinds of formulations, coupled with strong New Product Development (NPD) team and marketing team leaves the scope of purely distributing and effective selling to the M&D structure. The domestic market is a different vision all together. The focus currently is on OTC segments. We have already taken up a strategy of strengthening the field force and distribution network. It is expected that the sales force would grow from existing strength of approximate 100 to a sizable 500 over the next 2 years (including ISR’s). Entry back in to domestic ethical segment is also being closely considered post culmination of non compete clause with M/s. Shreya Life Sceinces (P) Ltd in November 2008. This time the entry would be into niche areas and the precise timings and exact strategy would be based on the status & demand of the ethical segment then.

Entry into regulated markets with herbal products requires augmenting the quality of herbal remedies vis a vis; herbal remedies exported to Non Regulated Countries. As a step in this direction, we have decided to undertake Organic Farming. In this area, the Governments of various states have afforded attractive schemes apart from it’s thrust on Ayurvedic Exports. We have shortlisted Jammu as our target area. The basics are that a crop from a single

field would tend to deliver a more standardized quality & efficacy, so important to the standardization of quality norms for the regulated market. This in turn helps us to undertake fingerprinting technology on the quality parameter analysis on the efficacy of these herbs which form an important part of the remedy. This however, in no way diminishes the sourcing of herbs from other areas. In the future we intend to enter into long term contract farming agreement with farmer in various pockets of India so that in no way can the supply of herbs be a limiting factor for growth in to regulated markets.

We have an existing system of purchase of herbs whereby no single source is tapped and multi point sourcing is always encouraged based on price, demand & supply position. The basic differences identified are in potency of the herbs based on soil & climatic conditions. However, with a strong Ayurvedic F&D department working in close coordination with Ayurvedic QA team have ensured that multipoint sourcing is never a show stopper.

**SUMMARY OF FINANCIAL INFORMATION**

<b>SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED</b>						
<i>(All amounts in Rs. Million)</i>						
	Year/Period Ended					Qtr Ended
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				<b>15 Mths</b>		
<b>A. Fixed Assets :</b>						
Gross Block	127.32	505.12	866.44	1103.42	1155.06	1155.24
Less : Depreciation	33.77	42.62	74.87	125.19	173.80	190.91
<b>Net Block</b>	<b>93.55</b>	<b>462.50</b>	<b>791.57</b>	<b>978.23</b>	<b>981.26</b>	<b>964.33</b>
Capital Work-in-Progress	310.63	253.26	116.65	11.73	4.38	4.94
<b>Total</b>	<b>404.18</b>	<b>715.77</b>	<b>908.22</b>	<b>989.96</b>	<b>985.64</b>	<b>969.27</b>
<b>B. Investments</b>	<b>78.33</b>	<b>55.03</b>	<b>54.33</b>	<b>902.44</b>	<b>1251.09</b>	<b>1349.97</b>
<b>C. Current Assets, Loans and Advances:</b>						
Inventories	162.87	211.84	198.17	157.11	109.88	138.03
Sundry Debtors	424.97	485.25	655.73	670.99	1120.39	1111.96
Cash and Bank Balances	23.03	64.83	18.70	37.31	30.96	58.95
Loans and Advances	149.67	192.31	262.44	39.60	35.98	40.10
<b>Total</b>	<b>760.53</b>	<b>954.23</b>	<b>1135.04</b>	<b>905.01</b>	<b>1297.21</b>	<b>1349.04</b>
<b>D. Liabilities and Provisions :</b>						
Secured Loans	287.38	580.95	535.29	362.03	548.41	610.53
Unsecured Loans	2.30	10.02	1.80	162.73	129.45	14.95
Current Liabilities and Provisions	178.93	217.14	495.04	140.13	152.44	145.02
<b>Total</b>	<b>468.60</b>	<b>808.11</b>	<b>1032.13</b>	<b>664.89</b>	<b>830.30</b>	<b>770.51</b>
<b>E. Deferred Tax Liability, Net</b>	<b>7.99</b>	<b>10.01</b>	<b>5.05</b>	<b>48.73</b>	<b>80.21</b>	<b>88.91</b>
<b>F. Net Worth (A+B+C-D-E)</b>	<b>766.43</b>	<b>906.91</b>	<b>1060.41</b>	<b>2083.79</b>	<b>2623.43</b>	<b>2808.87</b>
Net Worth represented by						
<b>G. Share Capital</b>						
Equity	76.00	76.00	76.00	76.00	76.00	304.00
Preference						
<b>H. Share Application Money</b>						
<b>I. Reserves and Surplus</b>	690.48	830.93	984.41	2007.79	2547.43	2504.87
<b>J. Miscellaneous Expenditure to the extent not adjusted/ written off</b>	0.04	0.02	0.00	0.00	0.00	0.00
<b>K. Net Worth (G+H+I-J)</b>	<b>766.43</b>	<b>906.91</b>	<b>1060.41</b>	<b>2083.79</b>	<b>2623.43</b>	<b>2808.87</b>

Note :The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure III, to this report

As per our report of even date

For N.P.Gandhi & Co.

Chartered Accountants

N.P.Gandhi

Proprietor

M. No. 44294

For and on behalf of the Board of

Plethico Pharmaceuticals Ltd

S.A.Patel

Director

**SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED**
*(All amounts in Rs. Million)*

	Year/Period Ended					Qtr Ended
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
<b>INCOME</b>				<b>15 Mths</b>		
Sales	1138.91	1203.83	1444.11	2000.28	2221.85	630.89
<b>TOTAL</b>	<b>1138.91</b>	<b>1203.83</b>	<b>1444.11</b>	<b>2000.28</b>	<b>2221.85</b>	<b>630.89</b>
Other Income	91.05	68.27	42.73	375.34	22.95	9.32
<b>TOTAL INCOME (A)</b>	<b>1229.96</b>	<b>1272.09</b>	<b>1486.84</b>	<b>2375.62</b>	<b>2244.80</b>	<b>640.21</b>
<b>EXPENDITURE</b>						
Cost of Goods sold	755.50	672.93	805.65	1075.58	1275.23	339.53
Operating and other Expenses	152.05	242.56	256.09	655.87	192.57	50.88
Employees' Remuneration & Benefits	141.31	164.08	180.52	140.58	103.19	28.56
Financial Charges	20.70	19.08	41.76	58.12	29.19	8.72
Depreciation	6.89	9.64	33.48	53.06	49.61	17.11
Preliminary Expenditure Written Off	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPENDITURE (B)</b>	<b>1076.45</b>	<b>1108.29</b>	<b>1317.49</b>	<b>1983.22</b>	<b>1649.79</b>	<b>444.80</b>
<b>Net Profit before tax and exceptional items (A-B)</b>	<b>153.51</b>	<b>163.81</b>	<b>169.35</b>	<b>392.40</b>	<b>595.01</b>	<b>195.41</b>
Add : Exceptional Items [Income / (Expense)]	0.00	0.00	0.00	698.50	0.00	0.00
<b>Net Profit before Tax</b>	<b>153.51</b>	<b>163.81</b>	<b>169.35</b>	<b>1090.90</b>	<b>595.01</b>	<b>195.41</b>
Taxation [Expense/(Reversal)]						
Current Tax	1.30	1.60	0.90	1.31	2.22	1.29
Earlier Years	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax	0.00	0.00	5.05	33.67	31.48	8.69
Net Profit before adjustments	<b>152.21</b>	<b>162.21</b>	<b>163.40</b>	<b>1055.93</b>	<b>561.30</b>	<b>185.43</b>
<b>ADJUSTMENTS</b>						
<b>Impact of changes in accounting policies and estimates</b>						
Deferred Tax (See Note No.I-1 (e) of Annexure III)	(2.45)	(2.02)				
<b>Other adjustments</b>						
Prior Period Items (See Note No.I-2(a) of Annexure III)		0.60	1.05			
<b>Total Impact of Adjustments</b>	<b>(2.45)</b>	<b>(1.42)</b>	<b>1.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Tax Impact of Adjustments (See Note No.I-3 of Annexure III)						
<b>Total of Adjustments after Tax impact</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Profit, as restated</b>	<b>149.76</b>	<b>160.79</b>	<b>164.45</b>	<b>1055.93</b>	<b>561.30</b>	<b>185.43</b>

<b>Profit and loss account at the</b>						
<b>beginning of the year</b>	<b>74.72</b>	<b>53.55</b>	<b>153.40</b>	<b>276.42</b>	<b>410.86</b>	<b>747.64</b>
<b>Balance available for appropriation, as restated</b>	<b>224.49</b>	<b>214.34</b>	<b>317.85</b>	<b>1332.34</b>	<b>972.16</b>	<b>933.07</b>
<b>Appropriations</b>						
Interim Dividend on Equity Shares		19.00				
Proposed Dividend on Equity Shares	19.00		19.00	19.00	19.00	0.00
Dividend on Preference Shares						
Tax on Dividends	1.94	1.94	2.43	2.48	2.66	0.00
Transfer to General Reserve	150.00	40.00	20.00	900.00	202.86	0.00
<b>Balance carried forward, as restated</b>	<b>53.55</b>	<b>153.40</b>	<b>276.42</b>	<b>410.86</b>	<b>747.64</b>	<b>933.07</b>

## THE ISSUE

<b>Equity Shares offered:</b>		
Fresh Issue by the Company		36,66,667 Equity Shares, constituting 10.76% of the post-issue Paid up capital of the Company, constituting Rs. 1100 million
Issue to Public		36,66,667 Equity Shares aggregating to Rs. 1100 million
<b>Of which</b>		
A) Qualified Institutional Buyers portion		At least 22,00,000 Equity Shares amounting to Rs 660 million (assuming the QIB Portion is 60% of the Issue), out of which 5% of the QIB Portion or 1,10,000 Equity Shares amounting to Rs 33 million shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and the balance 20,90,000 Equity Shares amounting to Rs 627 million shall be available for allocation to all QIBs, including Mutual Funds. <i>(Allocation on a proportionate basis)</i>
B) Non-Institutional Portion		Not less than 3,66,667 Equity Shares, i.e., 10% of the Issue to Public aggregating to Rs. 110 million <i>(Allocation on a proportionate basis)</i>
C) Retail Individual Investors Portion		Not less than 11,00,000 Equity Shares, i.e., 30% of the Issue to Public aggregating to Rs. 330 million <i>(Allocation on a proportionate basis)</i>
<b>Equity Shares outstanding prior to the Issue</b>		3,04,00,000 Equity Shares of face value of Rs.10/- each
<b>Equity Shares outstanding after the Issue</b>		3,40,66,667 Equity Shares of face value of Rs.10/- each
Use of Issue proceeds		Please see the section entitled “Objects of the Issue” on page 26 of this Prospectus for additional information.

### Notes:

Under subscription, if any, in the Retail Individual Investors, Non-institutional Investors or QIBs portion would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.



## PLETHICO PHARMACEUTICALS LIMITED

(We were originally incorporated on 4<sup>th</sup> December 1991 as Plethico Pharmaceuticals Private Limited under the Companies Act, 1956. Name of our Company was changed to Plethico Pharmaceuticals Limited w.e.f. 27<sup>th</sup> August 1992)

**Registered Office:** A.B.Road, Manglia – 453 771, Indore (M.P.), India. **Tel:** +91-0731-2422881-85; **Fax:** +91-0731-2420938 **Corporate Office:** 1<sup>st</sup> Floor, Crimpage Corporation, Plot No. 57, Street No.17, M.I.D.C, Andheri (E) Mumbai – 400 093.; **Tel:** +91-022-56988301; **Fax:** +91-022-56988330; **Compliance Officer:** Mr Pankaj Pabaiya; **E-mail:** ipo@plethico.com; **Website:** www.plethico.com.

Registered with Registrar of Companies, Sanjay Complex, Jayendraganj, Gwalior, Madhya Pradesh  
Registration No. 10-06801

## GENERAL INFORMATION

### REGISTERED OFFICE OF THE COMPANY

**Plethico Pharmaceuticals Limited**

A.B.Road, Manglia – 453 771,

Indore (M.P.), India

**Tel:** +91-0731-2422881-85

**Fax:** +91-0731-2420938

**Email:** ipo@plethico.com

**Registration No.: 10-06801**

**The Company is registered with:**

**REGISTRAR OF COMPANIES (RoC)**

Sanjay Complex,

Jayendraganj, Gwalior,

Madhya Pradesh

### Board of Directors:

Sr.No	Particulars	
1.	Mr Shashikant Patel	Chairman & Managing Director
2.	Mr Chirag Patel	Whole time Director & CEO
3.	Ms Gauravi Parikh	Executive Director
4.	Mr Rakesh Jain	Non Executive Independent Director
5.	Mr Sanjay Gupta	Non Executive Independent Director
6.	Mr Ashok Sodhani	Non Executive Independent Director

### **Brief Profile of the Chairman, Managing Directors and Whole-time Directors:**

#### **a. Mr. Shashikant Patel (Chairman & Managing Director)**

Mr. Shashikant Patel, Chairman & Managing Director, age 60 years is the promoter of the Company. He has been associated with the business for the last 40 years. He has reinforced his position as the Managing Director of the Company. As a Chairman he provides strategic direction to the Company. He has vast experience in International Business as well as Domestic Marketing and sourcing is his forte. It was the year 1996 when Mr. S.A. Patel was requested to take charge of domestic activities; he immediately professionalized the entire marketing team and brought in the best talent available in the industry in order to take a quantum jump. Till then, Plethico was Rs 450 Mn Company. Within a span of 6 Years, the Company became Rs 1100 Mn Company which translates to a CAGR of 16%. He has been the driving force behind the company's growth. The precedent set by infusion of professional talent has till date been followed where the management has divided the business into SBU's and each manager is responsible for set goals. He is ably assisted by his son Chirag since 1996 and daughter Gauravi since 2000. The company has consistently made profits, which clearly establishes the values nourished under his leadership.

#### **b. Mr. Chirag Patel (Whole Time Director and CEO)**

Mr. Chirag Patel is the new breed of young entrepreneurs aged 36 years with bright, innovative & fresh ideas to do business. He has got experience in global pharma business in the last 8 years and is a strong advocate of brand building. He has been responsible for the Company's foray into consumer healthcare business and international operations. Mr. C.S. Patel started off his career as an apprentice to Mr. Bhaskar Patel, who trained him on the Sales, Distribution, Production, Finance skills. Mr. C.S. Patel who was a quick learner set sight on entering active business in 1996. He was responsible for the serious foray into Exports by the Company. Within a short time he started to extensively travel in the markets which were short listed for entry. These were the CIS & African markets. The objective was to carefully understand the market dynamics, the economy for its potential for business and also whether there could be perceived threat of the foreign exchange policy taking a massive change. He was majorly responsible for the Company finalizing on Oracle-Peoplesoft-J.D. Edwards ERP Version 8.9 and also the finalization of Field Force Management System from SIFY in English plus 3 Languages (Russian, Spanish & French).

#### **c. Ms. Gauravi Parikh (Executive Director)**

Ms. Gauravi Parikh, aged 28 years, is a B.Pharm and MS (USA). She joined business in the year 2000 after she completed her MS from University of Ohio - USA. She currently looks after the regulatory affairs, marketing, & New Product Development (NPD) of the Company. Her entry on the business scene after her professional training in the US has helped the company standardizing & expediting the churning of Registration Dossiers which are so essential in getting the company's products registered across the globally. She is also responsible for New Product Development and also helps the Company in strategizing the right product / right molecule including the method of marketing, Post Marketing Surveillance (PMS). She has helped the Company in launching more than 200 products. Her expertise is also sought on marketing literature which is sent to various stations as part of the promotional activities undertaken by the Company for promoting its products. Her forte is medical information on molecules.

**For more details on our directors, please refer to this Section titled "Our Management" beginning on page 127 of this Prospectus**

### **COMPANY SECRETARY AND COMPLIANCE OFFICER**

**Mr Pankaj Pabaiya**

**Plethico Pharmaceuticals Limited**

A.B.Road, Manglia – 453 771,

Indore (M.P.), India

**Tel:** +91-0731-2422881-85

**Fax:** +91-0731-2420938

**Email:** ipo@plethico.com

***Note: The investors' attention is invited to contact the Compliance Officer in case of any pre-issue / post-issue related problems such as non-receipt of letters of allotment/ credit of allotted Shares in the respective beneficiary accounts/ refund orders, etc.***

## **DOMESTIC LEGAL COUNSEL TO THE ISSUE**

### **J. Sagar Associates**

Advocates and Solicitors  
Vakils House, 18 Sprott Road  
Ballard Estate, Mumbai 400001  
**Tel:** +91 022 56561500  
**Fax:** +91 022 56561515  
**Email:** mumbai@jsalaw.com  
**Contact Person:** Mr Anirudh Goyal

## **BANKERS TO THE COMPANY**

### **Bank of Baroda**

Siyajiganj Branch,  
Old Indore Development Authority Bldg,  
Ground Floor,  
15/16, Jawahar Marg,  
Indore – 452 007.  
**Tel No:** +91 07312 5077779  
**Fax No:** +91 07312 5077778

### **State Bank of Indore**

IFB, Khel Prashal,  
Indore – 452 007.  
**Tel No:** +91 07312 5243077  
**Fax No:** +91 07312 2432906

### **GE Capital Services India**

Block 4-A, DLF Corporate Block,  
Qutub Enclave, Phase 3,  
Gurgaon, - Haryana  
**Tel No:** +91 0124 5027824  
**Fax No:** +91 0214 2358057

### **IDBI Limited**

6 Malaviya Nagar,  
Near Raj Bhavan,  
Bhopal – M.P.  
**Tel No:** +91 0755 25220559  
**Fax No:** +91 0755 22554921

## **BANKERS TO THE ISSUE / ESCROW COLLECTION BANKS**

### **ICICI Bank Ltd.**

Capital Market Division  
30, Mumbai Samachar Marg,  
Raja Bahadur Compound,  
Fort, Mumbai - 400 001  
**Contact Person:** Mr. Sidhartha Routray  
**Tel.:** 91 - 22 - 22655285  
**Fax.:** 91- 22 - 22611138  
**Email:** sidhartha.routray@icicibank.com

**HDFC Bank Ltd.**

26A Narayan Properties,  
Chandivali Farm Road,  
Sakinaka,  
Andheri (East),  
Mumbai – 400 059

**Contact Person:** Mr. Viral Kothari

**Tel.:** 91-22 – 28569009

**Fax:** 91-22 – 28569256

**Email:** viral.kothari@hdfcbank.com

**Standard Chartered Bank**

Corporate & Institutional Banking  
270, D N Road, Fort,  
Mumbai - 400 001

**Contact Person:** Mr Banhid Bhattacharya

**Tel:** 91- 22 – 2209 2213

**Fax:** 91- 22- 2209 6067

**Email:** banhid.bhattacharya@in.standardchartered.com

**AUDITORS**

**M/s. N.P.Gandhi & Co.**

*Chartered Accountants*

105, Esplanade Mansion,  
1<sup>st</sup> Flr, 144 M.G.Road,  
Opp.Rhythm House, Fort,  
Mumbai – 400001

**Tel:** +91 22 22886928

**Fax:** +91 22 22886931

**BOOK RUNNING LEAD MANAGER**



**ANAND RATHI SECURITIES PRIVATE LIMITED**

54-55, Mittal Court 'B'

Nariman Point,  
Mumbai 400 021, India.

**Tel:** + 91 22 2287 1388

**Fax:** + 91 22 2283 5131

**E-mail:** plethico@rathi.com

**Website:** www.rathi.com

**Contact Person :** Mr. Sachin Mehta

**SYNDICATE MEMBERS**

**ANAND RATHI SECURITIES PRIVATE LIMITED**

54-55, Mittal Court 'B'

Nariman Point,  
Mumbai 400 021, India.

**Tel:** + 91 22 2287 1388

**Fax:** + 91 22 2283 5131

**E-mail:** plethico@rathi.com  
**Website:** www.rathi.com  
**Contact Person :** Ms. Akshata Tambe / Mr. Rupesh Khant

**ENAM SECURITIES PRIVATE LIMITED**

Khatau Bldg, 2<sup>nd</sup> Floor,  
 44, Bank Street, Fort,  
 Mumbai – 400 023.  
**Tel:** 91 – 22- 2267 7901  
**Fax:** 91 -22 – 2266 5613  
**Email:** ajays@enam.com  
**Contact Person:** Mr Ajay Sheth

**REGISTRAR TO THE ISSUE**

**INTIME SPECTRUM REGISTRY LIMITED**

C-13, Pannalal Silk Mills Compound, LBS Marg  
 Bhandup (West),  
 Mumbai 400 078  
**Tel:** +91 22 2596 0320  
**Fax:** +91 22 2596 0329  
**Email:** plethicoipo@intimespectrum.com  
**Website:** www.intimespectrum.com  
**Contact Person :** Mr. Vishwas Attawar

**BROKERS TO THE ISSUE**

All the members of the recognized stock exchanges would be eligible to act as the Brokers to the Issue.

**STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY**

The responsibilities and co-ordination for various activities in relation to the Issue will be solely complied by the sole BRLM to the Issue viz., Anand Rathi Securities Private Limited (ARSPL)

S.No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc	ARSPL	ARSPL
2.	Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Prospectus. Ensuring compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	ARSPL	ARSPL
3.	Assisting the Company for the FIPB and RBI approvals	ARSPL	ARSPL
4.	Primary co-ordination with SEBI, RoC and Stock exchanges up to bidding and co coordinating interface with lawyers for agreements	ARSPL	ARSPL
5.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement	ARSPL	ARSPL
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	ARSPL	ARSPL

7.	Appointing the Registrars of the Issue	ARSPL	ARSPL
8.	Appointing Bankers to the Issue	ARSPL	ARSPL
9.	Appointing other intermediaries viz. printers and advertising agency.	ARSPL	ARSPL
10	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> <li>• <i>Formulating marketing strategies, preparation of publicity budget,</i></li> <li>• <i>Finalizing media &amp; public relations strategy,</i></li> <li>• <i>Finalizing centers for holding conferences for press and brokers, etc.,</i></li> <li>• <i>Finalizing collection centers</i></li> <li>• <i>Following-up on distribution of publicity and issue material including form, prospectus hand deciding on the quantum of the Issue material, and</i></li> <li>• <i>Preparing all road show presentations</i></li> </ul>	ARSPL	ARSPL
11.	Co-ordinating institutional investor meetings, co-ordinating pricing decisions and institutional allocation in consultation with the Company, finalizing the Prospectus and RoC filing.	ARSPL	ARSPL
12.	Co-ordinating post bidding activities including management of Escrow accounts, co-ordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc.  The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing the listing of instruments and despatch of certificates and dematerialized delivery of Shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company	ARSPL	ARSPL

**CREDIT RATING**

Since the present issue is of Equity Shares, credit rating is not required.

**TRUSTEES**

Since the present issue is of Equity Shares, appointment of Trustees is not required.

**MONITORING AGENCY**

UTI Bank has been appointed as the monitoring agency for the Issue.

**GRADING OF THE ISSUE**

We have not opted for IPO Grading.

**BOOK BUILDING PROCESS**

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

The principal parties involved in the Book Building Process are:

1. The Company;

2. The Book Running Lead Managers;
3. The Syndicate Members, who are intermediaries registered with SEBI or registered as a broker with NSE/BSE and eligible to act as underwriters. The Syndicate Members are appointed by the BRLM; and
4. The Registrar to the Issue.

This being an Issue for less than 25% of the post Issue Capital, the securities being offered to the public through 100% Book Building Process in accordance with the SEBI Guidelines, read with Rule 19(2)(b) of the SCRR wherein: (i) atleast 60% of the Issue to the public shall be allocated on a proportionate basis to QIBs, including upto 5% of the QIB Portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB Portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds; (ii) not less than 10% of the Issue to the public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) not less than 30% of the Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid /Issue Closing Date. In addition as per the recent amendments to the SEBI Guidelines, QIBs are required to pay 10% margin amount upon submission of their Bids and the allocation to QIBs will be on a proportionate basis. For further details please see the section titled “Issue Procedure” beginning on page 227.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Anand Rathi Securities Private Limited as the BRLM to manage the Issue and to procure subscription to the Issue.

**Illustration of Book Building and Price Discovery Process** *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue).*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)). The illustrative book as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLM will finalize the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

**Steps to be taken for Bidding:**

- Check eligibility for making a Bid (see section titled “Issue Procedure - Who Can Bid” beginning on page 229);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see section titled “Issue Procedure - ‘PAN’ or ‘GIR’ Number” beginning on page 245);
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Prospectus and in the Bid cum Application Form.

**Withdrawal of the Issue**

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

**Bid/Issue Programme  
Bidding /Issue Period**

<b>BID/ISSUE OPENED ON</b>	<b>APRIL 10, 2006 (Monday)</b>
<b>BID/ISSUE CLOSED ON</b>	<b>APRIL 17, 2006 (Monday)</b>

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

The Company reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.

**Underwriting Agreement**

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

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

<b>Name and Address of the Underwriter</b>	<b>Indicated Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (Rs. Mn)</b>
Anand Rathi Securities Private Limited	18,33,334	550.00
Enam Securities Private Limited	18,33,333	550.00

The above Underwriting Agreement is dated April 19, 2006

In the opinion of the Board of the Company (based on a certificate given to it by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above underwriting Agreement has been accepted by the Board of the Company at their meeting held on April 19, 2006 on behalf of the Company and the Company has issued letters of acceptance to the Underwriters.

Allocation amongst the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Member shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure or subscribe to the extent of the defaulted amount. Allocation to QIBs may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

## CAPITAL STRUCTURE

Share capital of our Company as at the date of filing of the Prospectus with SEBI is set forth below:

	Face Value	Aggregate Value
A) <b>AUTHORISED SHARE CAPITAL</b> 4,00,00,000 Equity Shares of Rs. 10 each	400	400
B) <b>ISSUED CAPITAL</b> 3,04,00,000 Equity Shares of Rs. 10 each	304	304
C) <b>SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL BEFORE THE ISSUE</b> 3,04,00,000 Equity Shares of Rs. 10 each	304	-
D) <b>PRESENT ISSUE IN TERMS OF THIS PROSPECTUS</b> 36,66,667 Equity Shares of Rs. 10 paid up shares *	36.67	1100
E) <b>EQUITY CAPITAL AFTER THE ISSUE</b> 3,40,66,667 Equity Shares of Rs. 10 each paid up shares	340.67	-
F) <b>SECURITIES PREMIUM ACCOUNT</b> Before the Issue		39.77
After the Issue		1103.10

\* The Issue in terms of this Prospectus has been authorized pursuant to a resolution passed under section 81(1A) of the Act at the annual general meeting of our shareholders held on December 27<sup>th</sup>, 2005 at Indore.

- The details of increase and change in authorized share capital of our Company after the date of incorporation till filling of the Prospectus with SEBI is as follows:

*(Rs. in Mn, except face value)*

Date of change	Nature of increase/change	Number of Equity Shares	Face Value	Authorized Share Capital
December 18, 1991	Subscription to Memorandum	25000	100	2.50
July 31, 1992	Increase	1250000	10*	12.50
October 27, 1994	Increase	15000000	10	150.00
December 13, 2005	Increase	40000000	10	400.00

\* The shares were subdivided from Rs 100/- to Rs 10/- each

- At the EGM held on December 13, 2005 authorized share capital was increased to Rs. 400 Mn consisting of 40000000 Equity Shares of Rs. 10/- each

**Notes to Capital Structure:**

**1. Share Capital History of our Company**

<b>Date of allotment</b>	<b>No. of Equity Shares Allotted</b>	<b>Face Value (Rs.)</b>	<b>Issue Price (Rs.)</b>	<b>Consideration</b>	<b>Reasons for allotment</b>	<b>Cumulative Paid-up Share Capital (Rs.)</b>	<b>Securities Premium Account (Rs.)</b>
December 18, 1991	3	100*	100	Cash	Signatories to the MoA	300	NIL
July 6, 1992	400	100*	100	Cash	Fresh Issue	40,300	NIL
March 30, 1993	2,50,500	10	10	Cash	Fresh Issue	25,45,300	NIL
May 16, 1994	6,50,000	10	10	Cash	Fresh Issue	90,45,300	NIL
June 24, 1998	1809060	10	--	Bonus	Bonus	2,71,35,900	NIL
December 25, 1998	286410	10	100	Cash	Rights Issue	3,00,00,000	257,76,900
June 28, 1999	45,00,000	10	--	Bonus	Bonus	7,50,00,000	257,76,900
June 29, 2000	1,00,000	10	150	Cash	Rights Issue	7,60,00,000	397,76,900
December 26, 2005	2,28,00,000	10	--	Bonus	Bonus	30,40,00,000	397,76,900

\* On July 31, 1992, the Equity Shares of Rs.100 each were sub-divided into shares Equity Shares of Rs.10 each, making the issued and paid up capital 4,030 Equity Shares of Rs.10 each.

**2. Details of Allotment to Promoters, Promoters Holding and Lock-in:**

Name of the Promoter	Date of Allotment	No of Equity Shares	Face Value (Rs.)	Issue Price (Rs)	Consideration
<b>Mr. Shashikant Patel</b>	December 18,1991	1	100*	100	Cash
	March 30, 1993	83500	10	10	Cash
	May 16,1994	366755	10	10	Cash
	June 24,1998	900530	10	-	Bonus
	December 25, 1998	142605	10	100	Cash
	June 28,1999	2240100	10	-	Bonus
	June 29, 2000	49500	10	150	Cash
	March 29, 2005	(305)	10	-	Gift transfer
	March 30, 2005	3800000	10	-	Gift received
	December 26,2005	22748085	10	-	Bonus
	February 10, 2006	(710000)	10	250	Sale
	February 10, 2006	(50000)	10	275	Sale
<b>Total</b>		<b>29570780 Equity Shares of Rs. 10 each</b>			

<b>Mr Chirag Patel</b>	July 06, 1992	100	100*	100	Cash
	June 24,1998	2000	10	-	Bonus
	December 25, 1998	300	10	100	Cash
	June 28,1999	4950	10	-	Bonus
	June 29, 2000	250	10	150	Cash
	December 26,2005	25500	10	-	Bonus
<b>Total</b>		<b>34000 Equity Shares of Rs. 10 each</b>			

<b>Ms Gauravi Parikh</b>	March 29,2005	100	10	-	Gift received
	December 26, 2005	300	10	-	Bonus
<b>Total</b>		<b>400 Equity Shares of Rs. 10 each</b>			

\*On July 31, 1992, the Equity Shares of Rs.100 each were sub-divided into shares Equity Shares of Rs.10 each.

**Lock in of Minimum Promoters Contribution\*\***

Name of Promoter	Date of Allotment	Number of Equity Shares	Nature of Allotment	Face Value (Rs.)	Issue Price	% of Post-Issue Paid-up capital	Lock-in Period
<b>Mr. Shashikant Patel</b>	December 26, 2005	68,13,400	Bonus	10	--	20%	3 years
	<b>TOTAL</b>	<b>68,13,400 Equity Shares of Rs. 10 each</b>					
<b>Total 68,13, 400 Equity Shares</b>						20%	3 years

\*\*Promoters Contribution shall be finalized upon finalization of the price of Equity Shares

Out of the total shareholding of promoters, 68,13,400 number of equity shares held by Mr Shashikant Patel being 20% of the post issue capital will be locked in for a period of 3 years.

Lock-in period shall start from the date of allotment of the Equity Shares in terms of the Prospectus.

Other than as stated above which are locked in for a period of 3 years and 4,40,000 Equity Shares sold to Volrado Venture Partners (which are not locked in) , the entire pre-Issue equity share capital of the Company ( 2,31,46,600 Equity Shares) will be locked-in for the period of one year from the date of allotment of Equity Shares in this Issue.

- a) Equity Shares held by a person other than the Promoters, prior to the Issue, which are locked in as per SEBI (DIP) Guidelines, may be transferred to any other person holding Equity Shares which are locked in as per SEBI (DIP) Guidelines subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.
  - b) The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares may be transferred amongst Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
  - c) The Promoters have vide their letter dated February 11<sup>th</sup> 2005 given their consent for lock in as stated above. Equity Shares issued last shall be locked in first. The entire pre-issue capital, other than the minimum Promoters contribution, which is locked in for three years and 4,40,000 Equity Shares sold to Volrado Venture Partners (which are not locked in) shall be locked in for a period of one year. The lock-in shall start from the date of allotment in the Issue and the last date of the lock- in shall be reckoned as three years from the date of allotment in the Issue.
  - d) Locked in Equity Shares held by a Promoter can be pledged with banks or financial institutions as collateral for loans granted by such banks or financial institutions, provided pledge of shares is one of the terms of sanction of loan.
  - e) The Promoters and Promoters group will not participate in the Issue.
2. The following Equity Shares have been sold or purchased by our Promoter and our Promoter Group Companies, during the period of six months preceding the date on which this Prospectus is filed with SEBI.

<b>Transferee</b>	<b>Transferor</b>	<b>Date on which shares purchased / sold</b>	<b>Number of shares</b>	<b>Consideration</b>	<b>Purchase/Sale Price (Rs.)</b>
Fortress Financial Services Ltd	Mr Shashikant Patel	10-Feb-06	50000	Cash	275/-
Volrado Venture Partners	Mr Shashikant Patel	10-Feb-06	440000	Cash	250/-
Enam Investments Services	Mr Shashikant Patel	10-Feb-06	100000	Cash	250/-
One up Financial Consultants	Mr Shashikant Patel	10-Feb-06	75000	Cash	250/-
Deep Financial Consultants Pvt Ltd	Mr Shashikant Patel	10-Feb-06	75000	Cash	250/-
Eloquent Syscon Pvt Ltd	Mr Shashikant Patel	10-Feb-06	10000	Cash	250/-
ASG Capital Services Pvt Ltd	Mr Shashikant Patel	10-Feb-06	10000	Cash	250/-

### 3. Shareholding of Promoter Group and Persons Acting in Concert

Name	Date of Acquisition	No. of Equity Shares	Nature of Issue	Issue Price (Rs.)
<b>Promoter Group</b>				
Individuals and HUF				
<b>Ms Jayshree Patel</b>	July 06, 1992	100*	Allotment at par	100
	June 24, 1998	2000	Bonus in the ratio of 1:2	--
	December 25, 1998	300	Rights Issue at Rs 10+90	100
	June 28, 1999	4950	Bonus in the ratio of 1:1.5	--
	June 29, 2000	250	Rights Issue at Rs 10+140	150
	December 26, 2005	25500	Bonus in the ratio of 1:3	--
	<b>Total</b>		<b>34000</b>	
<b>Ms Ritu Patel</b>	March 29, 2005	100	Gift received	--
	December 26, 2005	300	Bonus in the ratio of 1:3	--
	<b>Total</b>	<b>400</b>		
<b>Mr Aditya Patel</b>	March 29, 2005	100	Gift received	--
	December 26, 2005	300	Bonus in the ratio of 1:3	--
	<b>Total</b>	<b>400</b>		
<b>Mr Jitendra Patel</b>	March 29, 2005	5	Gift received	--
	December 26, 2005	15	Bonus in the ratio of 1:3	--
	<b>Total</b>	<b>20</b>		
<b>Sub Total [A]</b>		<b>34820</b>		
<b>Group Companies</b>	--	<b>Nil</b>		
<b>Sub Total [B]</b>		<b>Nil</b>		
<b>Total [A + B]</b>		<b>34,820</b>		

<b>Persons Acting in Concert**</b>				
Fortress Financial Services Ltd	February 10, 2006	50000	Sale by Mr Shashikant Patel	275
Enam Investments Services	February 10, 2006	100000	Sale by Mr Shashikant Patel	250
One up Financial Consultants	February 10, 2006	75000	Sale by Mr Shashikant Patel	250
Deep Financial Consultants Pvt Ltd	February 10, 2006	75000	Sale by Mr Shashikant Patel	250
Eloquent Syscon Pvt Ltd	February 10, 2006	10000	Sale by Mr Shashikant Patel	250
ASG Capital Services Pvt Ltd	February 10, 2006	10000	Sale by Mr Shashikant Patel	250
<b>Total</b>		<b>320000</b>		

\*On July 31, 1992, the Equity Shares of Rs.100 each were sub-divided into shares Equity Shares of Rs.10 each

Volrado Venture Partners which acquired 440000 shares through sale by the promoter Mr Shashikant Patel at Rs 250 per Equity Share is a SEBI Registered Venture Capital Fund and the shares owned by them are not subject to lock-in requirements as per Clause 4.14.2 of SEBI (DIP) Guidelines.

\*\* The above corporate bodies do not qualify as part of the Promoters / Promoters Group as per the Explanation II of Clause 6.8.3.2 (m) of the SEBI (DIP) Guidelines. They have been classified as Persons Acting in Concert in the above table as stipulated by BSE while granting in-principle approval for listing. They are not PAC's / qualify as PAC's for any other purpose like compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereto.

#### 4. Pre and Post-Issue Shareholding Pattern of our Company:

Category	Pre Issue		Post Issue	
	Shares	%	Shares	%
<b>Promoters</b>				
Mr Shashikant Patel	29,570,780	97.2723%	29,570,780	86.8026%
Mr Chirag Patel	34,000	0.1118%	34,000	0.0998%
Ms Gauravi Parikh	400	0.0013%	400	0.0011%
<b>Sub-total (A)</b>	<b>29,605,180</b>	<b>97.3855%</b>	<b>29,605,180</b>	<b>86.9036%</b>
<b>Promoters Group</b>				
Ms Jayshree Patel	34,000	0.1118%	34,000	0.0998%
Ms Ritu Patel	400	0.0013%	400	0.0011%
Mr Aditya Patel	400	0.0013%	400	0.0011%
Mr Jitendra Patel	20	0.0001%	20	0.0000%
<b>Sub-total (B)</b>	<b>34,820</b>	<b>0.1145%</b>	<b>34,820</b>	<b>0.1022%</b>
<b>Promoters Group Total Shareholding</b>				
<b>[A+B]= [X]</b>	<b>29,640,000</b>	<b>97.5000%</b>	<b>29,640,000</b>	<b>87.0058%</b>
<b>Persons Acting in Concert (PAC) *</b>				
Fortress Financial Services Ltd	50,000	0.1645%	50,000	0.1467%
Enam Investments Services	100,000	0.3289%	100,000	0.2935%
One up Financial Consultants	75,000	0.2467%	75,000	0.2201%
Deep Financial Consultants Pvt Ltd	75,000	0.2467%	75,000	0.2201%
Eloquent Syscon Pvt Ltd	10,000	0.0329%	10,000	0.0293%
ASG Capital Services Pvt Ltd	10,000	0.0329%	10,000	0.0293%
<b>Sub-total (C)</b>	<b>320,000</b>	<b>1.0526%</b>	<b>320,000</b>	<b>0.9393%</b>
<b>Total Promoters, Promoters Group and PAC (X + C) = Y</b>	<b>29,960,000</b>	<b>98.5526%</b>	<b>29,960,000</b>	<b>87.9452%</b>
<b>Others</b>				
Volrado Venture Partners	440,000	1.4474%	440,000	1.2915%
<b>Sub-total (D)</b>	<b>440,000</b>	<b>1.4474%</b>	<b>440,000</b>	<b>1.2915%</b>
<b>Public (E)</b>	-	0.0000%	36,66,667	10.7632%
<b>Grand Total [X+Y+D+E]</b>	<b>30,400,000</b>	<b>100.0000%</b>	<b>340,66,667</b>	<b>100.0000%</b>

\* The above corporate bodies do not qualify as part of the Promoters / Promoters Group as per the Explanation II of Clause 6.8.3.2 (m) of the SEBI (DIP) Guidelines. They have been classified as Persons Acting in Concert in the above table as stipulated by BSE while granting in-principle approval for listing. They are not PAC's / qualify as PAC's for any other purpose like compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereto.

## 5. Equity Shares held by the top ten shareholders

a) Top ten shareholders as on the date of filing of the Prospectus with SEBI

Name of Shareholders	Number of shares	% of Total
Mr. Shashikant Patel	29,570,780	97.28%
Volrado Venture Partners	440,000	1.45%
Enam Investments Services	100,000	0.33%
One up Financial Consultants	75,000	0.25%
Deep Financial Consultants Pvt Ltd	75,000	0.25%
Fortress Financial Services Ltd	50,000	0.16%
Mr Chirag Patel	34,000	0.11%
Ms Jayshree Patel	34,000	0.11%
Eloquent Syscon Pvt Ltd	10000	0.03%
ASG Capital Services Pvt Ltd	10000	0.03%
<b>Total Equity Shares</b>	<b>30,398,780</b>	<b>100.00%</b>

b) Top ten shareholders 10 days prior to the date of filing of the Prospectus with SEBI

Name of Shareholders	Number of shares	% of Total
Mr. Shashikant Patel	29,570,780	97.28%
Volrado Venture Partners	440,000	1.45%
Enam Investments Services	100,000	0.33%
One up Financial Consultants	75,000	0.25%
Deep Financial Consultants Pvt Ltd	75,000	0.25%
Fortress Financial Services Ltd	50,000	0.16%
Mr Chirag Patel	34,000	0.11%
Ms Jayshree Patel	34,000	0.11%
Eloquent Syscon Pvt Ltd	10000	0.03%
ASG Capital Services Pvt Ltd	10000	0.03%
<b>Total Equity Shares</b>	<b>30,398,780</b>	<b>100.00%</b>

c) Top seven shareholders as on two years prior to the date of filing of the Prospectus with SEBI since there were only seven shareholders present as on that day.

Name of Shareholders	Number of shares	% of Total
Mr Bhaskar Patel	2,072,000	27.26%
Mr Shashikant Patel	3,783,000	49.78%
Mr Nikhil Patel	1,711,000	22.51%
Mr Chirag Patel	8,500	0.11%
Ms Lataben Patel	8,500	0.11%
Ms Jaishree Patel	8,500	0.11%
Ms Gita Patel	8,500	0.11%
<b>Total Equity Shares</b>	<b>7,600,000</b>	<b>100.00%</b>

## 6. Buy-back and Standby arrangements

There is no “buy back” or “stand by” arrangement for purchase of Equity Shares by the Company, its Promoters, Directors, or the BRLM for the Equity Shares offered through the Prospectus.

7. The Company has not raised any bridge loan against the proceeds of the Issue.
8. The Equity Shares offered through the Issue will be fully paid up.

9. In the Public Issue, in case of over subscription in all categories, atleast 60% of the Issue to Public shall be allocated to QIBs on a proportionate basis. Further, not less than 10% of the Issue to Public shall be available for allocation to non-institutional bidders and not less than 30% of the Issue to Public shall be available for allocation to retail bidders, on proportionate basis and subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Non-institutional, Retail or QIBs categories shall be allowed to be met with spillover from any other category at the sole discretion of the Company and the BRLM.
10. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of the Prospectus with SEBI until the Equity Shares offered through the Prospectus have been listed.
11. At present we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except ESOPs if any or if we enter into acquisition or joint ventures or make investments, in which case we may consider raising additional capital to fund such activity or use equity shares as a currency for acquisition or participation in such joint ventures or investments.
12. As on the date of filing the Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders or any other person any option to receive equity shares after the Issue. The Company does not have any outstanding ESOP.
13. We have not issued any Equity Shares out of revaluation reserve.
14. We have made following allotments of Equity Shares for consideration other than cash:

<b>Date of Allotment</b>	<b>Number of Equity Shares</b>	<b>Face Value</b>	<b>Nature of Allotment</b>
June 24, 1998	904530	10	Bonus in the ratio 1:2
June 28, 1999	4500000	10	Bonus in the ratio 1:1.5
December 26, 2005	22800000	10	Bonus in the ratio 1:3

15. At any given point of time there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. The Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
16. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
17. Our Company has 14 shareholders as on the date of filing the Prospectus with SEBI.
18. There are restrictive covenants in the agreements that we have entered into with certain banks for short-term loans and long-term borrowings. These restrictive covenants in many cases provides for borrowers covenants which are restrictive in nature and require us to obtain their prior permission for alteration of the capital structure, change in beneficial ownership of or control of the Company, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key personnel, change in the constitutional documents etc. Also, there are restrictive covenants regarding declaration and payment of dividend in cases of any subsisting default or out of accumulated reserves.
19. An over-subscription to the extent of 10% of the Issue to Public can be retained for the purposes of rounding off to the nearest multiple of one Equity Share while finalizing the basis of allotment.

## OBJECTS OF THE ISSUE

The objects of the Issue are as stated below:

- To finance the following capital expenditure program at our various locations:
  - Upgradation of Kalaria Plant for UK MHRA compliance.
  - Setting up of a plant in Jammu & Kashmir (J&K) which is WHO GMP compliant & land to be used for Organic Farming of important herbs.
  - Setting-up of Research and Development & Formulations and Development Centre
  - Acquiring a stake in a OTC / domestic herbal / nutraceutical company or a Brand
  - Setting up a Corporate Office in Mumbai.
- To meet the working capital requirements of the business
- To meet the expenses of the issue
- To enable listing of the equity shares of the Company on the stock exchanges.

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue-related expenses, is estimated at Rs. 78.90 Mn. The issue amount will be determined based on the Issue Price discovered through the book- building process.

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

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

### REQUIREMENT OF FUNDS AND MEANS OF FINANCE

The total estimated fund requirement is as follows:

Project	Particulars	Cost (Rs million)
I	Upgradation of Kalaria Plant for UK MHRA compliance	257.18
II	Setting up of a plant in Jammu & Kashmir (J&K) which is WHO GMP compliant & undertaking Organic Farming	308.91
III	Setting-up of Research and Development & F&D Centre	131.57
IV	Acquiring a stake in a OTC / Domestic herbal / Nutraceutical Company or a Brand	280.00
V	Setting up a Corporate Office in Mumbai	194.04
	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1171.70</b>
VI	Working Capital Requirement	275.00
	<b>TOTAL EXPENDITURE</b>	<b>1446.70</b>
	Public Issue Expenses	78.90
	<b>TOTAL</b>	<b>1525.60</b>

The year-wise break-up of utilization of issue proceeds of the above mentioned capital expenditure program is stated below:

Capital expenditure program (Rs. Million)	Year ending		
	2006	2007	Total
Project I	257.18	-	257.18
Project II	154.45	154.46	308.91
Project III	65.79	65.78	131.57
Project IV	280.00	-	280.00
Project V	97.02	97.02	194.04
Project VI	275.00	-	275.00
<b>Sub-Total</b>	<b>1129.44</b>	<b>317.26</b>	<b>1446.70</b>
Issue Expense	78.90	-	78.90
<b>Total</b>	<b>1208.34</b>	<b>317.26</b>	<b>1525.60</b>

(Source: Estimate by Company's management)

#### Means of Finance:

The net proceeds of the Issue would be used to meet all or any of the uses of the funds described above.  
(Rs Mn)

Particulars	Capital Cost
Proceeds of the Issue	1100.00
Internal Accruals	425.60
<b>TOTAL</b>	<b>1525.60</b>

Based on the certificate provided by the statutory auditors of Plethico Pharmaceuticals Ltd., M/s N.P.Gandhi & Co., dated February 20, 2006, we have incurred an expenditure of Rs. 29.70 Mn on the above projects.

#### Project I - Upgradation of Kalaria Plant for UK MHRA compliance

Presently the Cephalosporin and Penicillin products are being manufactured in Manglia, Indore Plant. As per the PIC and WHO manufacture of both products in same plant is not acceptable as per GMP Norms. Hence it is proposed to continue the manufacturing of Penicillin products at existing facility at Manglia plant and Cephalosporin plant is to be set up at Kalaria plant. This will be in compliance with the various inspection authorities and will open up more business in the regulated markets.

This plant will comply with the international regulatory requirements. All the critical system and equipment will be validated. The plant will be inspected by various statutory bodies like MCC - Africa, UK-MHRA, TGA-Australia, WHO-Geneva and ANVISA-Brazil. Tablet, Capsules, Dry Syrup and Dry Powder Injectables will be manufactured in this facility and it will be totally dedicated for the manufacture of the cephalosporin products.

The production capacity of the plant on a one shift working for 300 days in a year is as under:

	Product	Per Annum Capacity
A	Tablets	150 Mn
B	Capsules	150 Mn
C	Dry Syrup Powder	12 Mn
D	Dry Powder Injectables	12 Mn

The UKMHRA accreditation of Kalaria Plant will help us to foray into the niche markets of Europe in pursuit of our objective of entering the regulated markets in the OTC segment. We will market our Herbal Food supplements and other OTC products in the European markets. We have already invested money in erecting plinth level structure to date for the new cephalosporin unit coming up in the Kalaria unit, besides other structural changes suggested for compliance with the upgradation sought.

The total cost of the project is as follows:

Sr. No	Particulars	Cost (Rs Mn)
1.	Land	1.50*
2.	Civil Works	77.25*
3.	Process Equipments	76.13
4.	HVAC	34.60
5.	Electricals	19.72
6.	Utilities	41.74
7.	Quality Control (QC) / IPQC	9.95
8.	Architect Fees	8.69
	<b>Total Cost</b>	<b>269.58</b>

(Source: Estimate by company's management)

## 1. Land

The land admeasuring 700,000 Sq.feet was already acquired by us as a part of our existing Kalaria plant when it was commissioned in 1999 and \*we have made a payment of Rs 1.50 mn out of our internal accruals.

## 2. Civil Works

Sr. No	Particulars	Cost (Rs Mn)
1	Site Clearance & Earthware	2.13
2	Concrete Work , Structural Steel & Roofing Work	13.82
3	Masonry, Plastering & Flooring Work	15.23
4	Doors & Windows , Painting Work	15.23
5	Water Supply, Sanitary Fittings, Sewerage, expansion joints, elevation	17.69
6	Cement , Reinforced Steel & Structural Steel	13.15
	<b>Total</b>	<b>77.25</b>

(Source: Estimate by company's management)

The manufacturing plant building will be a ground plus one structure with a footprint of 3250 sq.mtrs and total built up area will be about 7000 sq.mtr. The structure will be RCC with masonry brickwork. Critical areas like granulation, tablet compression, inspection, coating, capsule filling, primary packing area, dispensing and sampling area, granules and tablet quarantine area, secondary change room and all the corridors and airlocks in the core manufacturing area will be epoxy painted and with flooring will be Kota stone with epoxy joint. Packing material, raw material and finished goods area, secondary and tertiary packing areas, bottle decartoning and washing area, primary change room and all the corridors in these areas will be having synthetic enamel paint and flooring of kota stone with cement joint. For dry powder injectable clean room de mountable panels will be used with walkable ceiling. Wall to wall ceiling and wall to floor coving will be provided. Edge protection corner and S S railing guard will also be provided.

All the critical manufacturing areas will have GMP type double or triple seal type SS 304 drains. Process drain and domestic drains will have separate grid. All the drains will be finally terminated to the ETP through yard drain piping network. All the process drain points will ensure the restriction of rodents in the production areas. In the dry powder injectable area the design of trap will be sterile. Depending upon the contour survey report and plot plan the location of the ETP Plant will be decided. Storm water drain network will be provided. An overhead tank or pressurized

water distribution with concealed piping wherever possible will be devised for the distribution of raw water for toilets.

Doors and View Panels- Doors in the core manufacturing areas will be of press steel door with PU paint and in other areas anodized aluminium doors will be provided. In order to achieve the see through effect in the facility single or double glazed windows will be provided in the various areas. Door interlocks will be required on critical airlocks. All the doors will have drop seal and door closer in order to maintain the desired room pressure.

\*Out of the total civil works cost of Rs 77.28 mn, Rs 10.90 mn have already been spent by us out of the internal accruals.

### 3. Process Equipments

The major process and handling equipment for which we have received quotations from suppliers are as follows:

S.No.	Name of Equipment	Qty	Basic Cost in Rs.Mn	Supplier	Date of Quotation Received
1	Sifter	2	0.26	M/s Ganson	18/10/2004
2	Multimill	2	0.26	M/s Ganson	18/10/2004
3	RMG	1	2.36	M/s Ganson	18/10/2004
4	FBD	1	2.40	M/s Ganson	18/10/2004
5	Blender	1	0.68	M/s Ganson	18/10/2004
6	Steam Kettle	2	0.20	Local	
7	Tablet Compression Machine	1	4.89	M/s Cadmach	30/12/2005
8	Roll Compactor	1	1.71	M/s Cadmach	30/12/2005
9	Autocoater 60"	1	6.23	M/s Ganson	18/10/2004
10	Metal Detector	2	0.45	M/s Unique	
11	Capsule Filling Line	1	4.48	M/s Anchor Mark	26/12/2005
12	Blister Pack Machine	2	5.83	M/s Pam Pac	7/11/2005
13	Blister Pack Machine Change Part set	3	0.66	M/s Pam Pac	7/11/2005
14	Cartoneting Machine	2	6.27	M/s Pam Pac	7/11/2005
15	Balances	6	0.46	M/s Mettler Toledo	25/12/2005
16	RLAF	2	0.75	M/s Fabtech	22/2/2005
17	Dry Syrup Air Jet Cleaning Machine	1	0.41	M/s N K Pharma Industries	26/12/2005
18	Dry Syrup Filling & Sealing Machine	1	2.08	M/s N K Pharma Industries	26/12/2005
19	Dry Syrup Measurecup machine	1	0.32	M/s N K Pharma Industries	26/12/2005
20	Dry Syrup Labeling Machine	1	0.48	M/s N K Pharma Industries	26/12/2005
21	Vial washing Machine	1	1.16	M/s N K Pharma Industries	26/12/2005
22	Vial Sterilisation Tunnel	1	2.82	M/s Teknopak	21/10/2004
23	Vial Filling and Bunging Machine	1	0.91	M/s N K Pharma Industries	26/12/2005
24	Vial sealing Machine	1	0.53	M/s N K Pharma Industries	26/12/2005
25	Vial Inspection Machine	1	0.30	M/s N K Pharma Ind.	26/12/2005

26	Vial Labeling Machine	1	0.48	M/s N K Pharma Industries	26/12/2005
27	Vial Lince LAF	1	0.28	M/s Teknopak	21/10/2004
28	Autoclave	1	1.57	M/s Pharmalab India Pvt Ltd	23/10/2004
29	DHS	1	1.31	M/s Pharmalab India Pvt Ltd	23/10/2004
30	Pure Steam Generator	1	0.65	M/s Pharmalab India Pvt Ltd	23/10/2004
31	Multicoloumn Distillation Plant	1	1.98	M/s Pharmalab India Pvt Ltd	23/10/2004
32	Racks (Lot)	1	1.00	Local	
33	Stacker	1	0.60	Local	
34	Pallet (Lot)	1	0.50	Local	
35	Change Room Accessories (Lot)	1	1.00	Local	
36	Freight, Erection & Commissioning ,Taxes		19.86		
	<b>TOTAL</b>		<b>76.13</b>		

#### 4. HVAC

Critical areas like Granulation, Tablet Compression, Inspection, Coating, Capsule filling, Primary Packing area, Dispensing and Sampling area, Bottle filling and sealing area, Granules and Tablet quarantine area, Secondary change room and all the corridors and airlocks in the core manufacturing area will be under class 100000 at rest condition. These areas will have minimum 20 air changes per hour. Terminal hepa filter of suitable grade and riser will be provided in these areas. Room conditions will be 22+/- 2 degree Celsius and relative humidity will be in accordance to the product requirement in the various areas. Unit preparation area will class 10000 and Dry powder injection filling and sealing area will be class 10000 and 100 under LAF. Storage areas will be largely ventilated. However, Foil storage and EHG capsule storage area will be air-conditioned.

Secondary packing area will be conditioned to 22+/-2 degree Celsius. All the corridors will be 15 Pascal positive with respect to the adjoining rooms. All the airlocks will be positive with respect to the adjoining areas. Suitable dust extractor will be provided in the powder generating areas. Dedicated air handling system will be provided for all the critical areas. All the AHU will be GI PU coated and with puff insulation with suitably designed coils, filter, dampers etc., Ducting will be of GI sheet and insulation will be of TF quality thermocol / Polystyrene and aluminium cladded. High side of the system will be either centrifugal chilling plant or Screw Compressor or Vapor absorption plant. Same will be evaluated during the detailed engineering phase of the project. Chilled water piping, Brine piping, Hot water Piping will be insulated and will distribute from high side to all the AHU with the help of adequate pumping system. Silica based dehumidification system will be introduced for low relative humidity areas. A BMS will be required for operating, monitoring, controlling and data logging of entire HVAC system. The major equipments forming part of the HVAC are as under:

Sr.No.	AHU Tag	Total Cost (Rs.Mn)
1	Dispensing Area	2.50
2	Vial Area AHU	6.00
3	Dry Syrup Area AHU Grouping	2.10
4	Micro and QC Area AHU Grouping	3.30
5	Tablet and Capsule Area AHU Grouping	17.70
6	Change room and Stores area	3.00
	<b>TOTAL</b>	<b>34.60</b>

(Source: Estimate by company's management)

## 5. Electricals

The Electrical system will mainly cost of the Four / Two pole structure, Transformer, metering unit, Main L T Panel and Main lighting distribution panel, PDB, LDB etc. A DG set of 1000 KVA is proposed for back up power. Lighting will be clean room type of fitting in the core manufacturing area. Industrial type of fitting will be provided in the technical areas. Coating areas will have flameproof type of fitting. Manufacturing areas and storage areas will have 400 Lux and other areas will have 250 Lux illumination level. The various equipments required for electricals are as under:

S.No.	Name of Equipment	Qty	Total Cost (Rs.Mn)
1	Transformer and four pole structure	1	0.68
2	Metering Unit	1	0.68
3	PCC Panel	1	2.31
4	MCC	5	2.71
5	PDB	10	2.71
6	Cables Conduit Lot	1	2.71
7	Lighting GMP	1000	4.06
8	Lighting Non GMP	1200	3.25
9	Earthing System	10	0.34
10	Switches (1000 No. = 1 Lot)	1	0.27
	<b>TOTAL</b>		<b>19.72</b>

(Source: Estimate by company's management)

## 6. Utilities

Water treatment system will be designed to generate the USP 25 grade water. USP 25 grade water will be used for Washing, rinsing, Compounding purpose. The water treatment system will be in three parts viz. Primary treatment, Secondary treatment and Storage & Distribution system. The major components of the primary treatment system will be pumps, chlorine dosing, softener, dechlorination and first stage RO system. The part of water treated by the primary treatment system will be used for the utility equipments viz. Boilers, Cooling tower, Chilling plant etc. and balance water will be used for the secondary treatment system. The secondary water treatment system will have the second stage RO and an EDI polishing unit. Online instrumentation, controls and data logging will be provided. The entire operation will be PLC based.

The capacity of the plant will be worked out during the detailed engineering phase. The storage and distribution system will be of SS 316 wet parts. The distribution will be through closed circulation loop. Complete drain ability of the system will be assured. All wet parts will be electro polished with Ra value less than 0.4. The loop will be pressurized at 2 bars and a velocity of 1.5 to 2.0 m/sec will be maintained in the loop. Zero dead lag type diaphragm valve will be used in the system. Water for injection will be produced from the Purified water with help of multicolumn distillation plant. Pure steam generator will be installed for steam sterilization.

S.No.	Name of Equipment	Qty	Basic Cost in Rs.Mn	Supplier	Remark	Date of Quotation Received
1	Boiler 5 ton Capacity	1	1.80	M/s Thermax		8/7/2002
2	Chimney	1	0.50	M/s Unicon		5/2/2003
3	Air Compressor 472 CFM	2	4.79	M/s. Atlas Copco	Imported	22/4/2004
4	D G Set 500 KVA	2	3.65	M/s Greaves Cotton Ltd		8/12/2003
5	Chiller 2* 200 Tr	2	9.00	M/s Trane	Imported	5/5/2003
6	Water Treatment Plant	1	2.90	M/s Doshion		5/3/2005
7	Water Distribution Sys	1	1.54	M/s APF Water		15/02/2005

8	WFI Distribution System	1	1.54	M/s APF Water System		15/02/2005
9	Effluent Treatment Plant	1	1.50	Local		
10	Piping, Insulation and Mechanical works	1	2.50	Local		
11	Fire Fighting (Lot)	1	1.00	Local		
12	Freight, Erection & Commissioning ,Taxes		11.02			
	<b>TOTAL</b>		<b>41.74</b>			

## 7. Quality Control

S.No.	Name of Equipment	Qty	Basic Cost in Rs.Mn
1	Humidity Chamber	1	0.15
2	Humidity Control Oven	1	0.15
3	Dissolution Tester	2	0.27
4	Conductivity Meter	1	0.01
5	PH Meter	1	0.01
6	U V Visible Spectrophotomer (UV 1601 PC)	1	0.46
7	Laser Diffraction Particle Size Analyzer (SALD 2001)	1	0.87
8	Fourier Transform Infrared Spectrophotometer (FTIR-8400)	1	0.63
9	Digital Wave Length Flying Spot Scanning Densitometer (CS-9301 PC)	1	0.10
10	High Pressure Liquid Chromatography (HPLC) - cto 10 as / vp Series	1	1.10
11	Atomic Adsorption Flame Emission Spectrophotometer (AA-6200)	1	0.82
12	Gas Chromatograph (GC-14B)	1	0.45
13	Total Organic Carbon Analyzer (TOC 5000)	1	0.78
14	Walk in Type Humidity Chamber	1	0.88
15	Bacteriological Incubator	1	0.03
16	Bacteriological Incubator Lab	1	0.02
17	BOD Incubator	1	0.02
18	BOD Incubator	1	0.02
19	Colony Counter (Bacteriological)	1	0.20

20	Auto Clave	1	0.03
21	Pass Box	1	0.07
22	LAF (Horizontal)	1	0.08
23	Antibiotic Zone Reader	2	0.02
24	Compound Microscope	2	0.02
25	Simple Microscope	2	0.02
26	Cyclo Mixer	1	0.00
27	Heat Block	1	0.03
28	Freight, Erection & Commissioning ,Taxes		2.73
	<b>TOTAL</b>		<b>9.95</b>

(Source: Estimate by company's management)

**Manpower Requirements:** The upgraded plant will require 126 employees working on a single shift basis which will be available locally.

**Schedule of Implementation:**

Activity	Commencement date	Completion date
Basic and detailed engineering & civil works	July 2005	May 2006
Procurement and contract awarding	May 2006	May 2006
Construction and erection	September 2005	November 2006
Commission / validation and trial runs	December 2006	December 2006
Commencement of operations	January 2007	--

(Source: Estimate by company's management)

**Project II - Setting up of a plant in Jammu & Kashmir (J&K) which is WHO GMP compliant & undertaking Organic Farming**

A multi-product, automated and cGMP norms complied facility with oral solid and liquid dosages like tablet, capsule and liquid orals and external preparations like ointment, cream, lotion is proposed at Jammu. The plant will have the capacity to manufacture Tablet, Capsules, Ointment and Liquid Orals.

This plant will comply with the international regulatory requirements. All the critical system and equipment will be validated. The plant will be inspected by various statutory bodies like MCC - Africa, UK-MHRA, TGA-Australia, WHO-Geneva, ANVISA-Brazil. General Tablet, Capsules, Ointments & Liquid Injectables will be manufactured in this facility. This plant would be earmarked for domestic markets.

Another important adjunct to operating a plant at J&K is Contract Farming. We intend to use the adjacent fertile land for cultivating selected herbs which we require for manufacturing various herbal formulations which has been standardized and codified for maintaining efficacy & meeting norms that will help us to market brands even in Europe.

The production capacity of the plant on a one shift working for 300 days in a year is as under:

	Product	Per Annum Capacity
A	Tablets	300 Mn
B	Capsules	180 Mn
C	Ointments	6 Mn
D	Liquid Orals	12 Mn

The proposed plant in J&K is subject to certain tax breaks including:

Sr No.	Particulars	Remarks
1	Income Tax	First five years 100% tax holiday and subsequent five years at 30% under section 80(IB) of the Income-tax Act, 1961
2	Excise duty	Ten (10) years Excise Duty exemption
3	Sales tax	One (1) per cent Central Sales Tax up to 2009

The total cost of the project is as follows:

Sr. No	Particulars	Cost (Rs Mn)
1.	Existing Plant and Land	50.00*
2.	Civil Works	73.31
3.	Process Equipments	74.22
4.	HVAC	34.56
5.	Electricals	19.72
6.	Utilities	38.40
7.	Quality Control (QC) / IPQC	9.95
8.	Architect Fees	8.75
	<b>Total Cost</b>	<b>308.91</b>

(Source: Estimate by company's management)

## 1. Land

A plot of land along with an existing structure is already present at the site. We will be acquiring this structure along with an adjacent vacant plot of land after conducting a due diligence audit as per the agreement entered. Out of the total cost of Rs 50 Mn for the existing plant and land, \*Rs 0.15 Mn has already been paid out of internal accruals.

## 2. Civil Works

Sr. No	Particulars	Cost (Rs Mn)
1.	Site Clearance & Earth Work	2.73
2.	Concrete Work & Structural Steel & Roofing Work	16.97
3.	Masonry, Plastering & Flooring Work	16.73
4.	Doors & Windows, Painting Work	15.23
5.	Water Supply & Sanitary Fittings, Sewerage, Water Proofing, Elavation.	6.22
6.	Cement, Reinforced Steel & Structural Steel	15.43
	<b>Total</b>	<b>73.31</b>

(Source: Estimate by company's management)

The manufacturing plant building will be a ground plus one structure with a footprint of 3250 sq.mtrs and total built up area will be about 7000 sq.mtr. The Structure will be RCC with masonry brickwork. Critical areas like granulation, tablet compression, inspection, coating, capsule filling, primary packing area, dispensing and sampling area, granules and tablet quarantine area. ointment manufacturing and filling, secondary change room and all the

corridors and airlocks in the core manufacturing area will be epoxy painted and with flooring will be kota stone with epoxy joint. Packing material, raw material and finished goods area, secondary and tertiary packing areas, bottle decartoning and washing area, primary change room and all the corridors in these areas will be having synthetic enamel paint and flooring of kota stone with cement joint. Wall to wall, wall to ceiling and wall to floor coving will be provided. Edge protection corner and S S railing guard will be provided.

All the critical manufacturing areas will have GMP type double or triple seal type SS 304 drains. Process drain and domestic drains will have separate grid. All the drains will be finally terminated to the ETP through yard drain piping network. All the process drain points will ensure the restriction of rodents in the Production areas. In the dry powder injectable area the design of trap will be sterile.

Doors in the core manufacturing areas will be of Press Steel door with PU paint and in other areas anodized aluminium doors will be provided. In order to achieve the see through effect in the facility Single or Double glazed windows will be provided in the various areas. Door interlocks will be required on critical airlocks. All the doors will have drop seal and door closer in order to maintain the desired room pressure.

### 3. Process Equipments

The major process and handling equipment for which we have received quotations from suppliers are as follows:

S.No.	Name of Equipment	Qty	Basic Cost in Rs.Mn	Supplier	Date of Quotation Received
1	Sifter	2	0.26	M/s Ganson	18/10/2004
2	Multimill	2	0.26	M/s Ganson	18/10/2004
3	RMG	2	4.71	M/s Ganson	18/10/2004
4	FBD	2	4.80	M/s Ganson	18/10/2004
5	Blender	1	0.68	M/s Ganson	18/10/2004
6	Steam Kettle	2	0.20	Local	
7	Tablet Compression Machine	2	5.42	M/s Cadmach	31/12/2005
8	Roll Compactor	1	1.71	M/s Cadmach	31/12/2005
9	Autocoater 60"	1	6.23	M/s Ganson	18/10/2004
10	Metal Detector	2	0.90	M/s Unique	
11	Capsule Filling Line	1	4.48	M/s Anchor Mark	26/12/2005
12	Blister Pack Machine	2	5.83	M/s Pam Pac	7/11/2005
13	Cartoneting Machine	2	6.27	M/s Pam Pac	7/11/2005
14	Balances	6	0.46	M/s Mettler Toledo	25/12/2005
15	RLAF	2	0.75	M/s Fabtech	22/02/2005
16	Liquid Oral Manufacturing Plant	1	2.91	M/s Kothari Pharma	27/12/2005
17	Liquid Oral Complete Line	1	2.50	M/s Anchor Mark	26/12/2005
18	Ointment Manufacturing Plant	1	1.39	M/s Kothari Pharma	13/12/2004
19	Ointment Packing Machine	1	1.99	M/s Square Pharmas	18/8/2005
20	Racks (Lot)	1	1.00	Local	
21	Stacker	1	0.60	Local	
22	Pallet (Lot)	1	0.50	Local	
23	Change Room Accessories (Lot)	1	1.00	Local	

24	Freight, Erection & Commissioning ,Taxes		19.37		
	<b>TOTAL</b>		<b>74.22</b>		

#### 4. HVAC

Critical areas like Granulation, Tablet Compression, Inspection, Coating, Capsule filling, Primary Packing area, Dispensing and Sampling area, Bottle filling and sealing area, Granules and Tablet quarantine area, Secondary change room and all the corridors and airlocks in the core manufacturing area will be under class 100000 at rest condition. These areas will have minimum 20 air changes per hour. Terminal hepa filter of suitable grade and riser will be provided in these area. Room conditions will be 22+/- 2 degree Celsius and Relative humidity will be in accordance to the product requirement in the various areas. Unit preparation area will class 10000 and Dry powder injection filling and sealing area will be class 10000 and 100 under LAF. Storage areas will be largely ventilated. However, Foil storage and EHG capsule storage area will be air-conditioned.

Secondary packing area will be conditioned to 22+/-2 degree Celsius. All the corridors will be 15 Pascal positive with respect to the adjoining rooms. All the airlocks will be positive with respect to the adjoining areas. Suitable dust extractor will be provided in the powder generating areas. Dedicated air handling System will be provided for all the critical areas. All the AHU will be GI PU coated and with puff insulation with suitably designed coils, filter, dampers etc., Ducting will be of GI sheet and insulation will be of TF quality thermocol / Polystyrene and aluminum cladded. High side of the system will be either centrifugal chilling plant or Screw Compressor or Vapor absorption plant. Same will be evaluated during the detailed engineering phase of the project. Chilled water piping, Brine piping, Hot water Piping will be insulated and will distribute from high side to all the AHU with the help of adequate pumping system. Silica based dehumidification System will be introduced for low Relative Humidity areas. A BMS will be required for operating, monitoring, controlling and data logging of entire HVAC system. The major equipments forming part of the HVAC are as under:

AHU Tag	Total Cost in Rs.Mn
ST/SAMP/AHU I	1.38
ST/DISP1/AHU II	1.50
ST/DISP2/AHU III	1.50
OINTMENT AREA AHU GROUPING	1.80
LIQUID AREA AHU GROUPING	4.00
MICRO AND QC AREA AHU GROUPING	1.50
TABLET & CAPSULE AREA AHU GROUPING	22.88
<b>TOTAL</b>	<b>34.56</b>

(Source: Estimate by company's management)

#### 5. Electricals

The Electrical system will mainly cost of the Four / Two pole structure, Transformer, metering unit, Main L T Panel and Main lighting distribution panel, PDB, LDB etc. A DG set of 1000 KVA is proposed for back up power. Lighting will be clean room type of fitting in the core manufacturing area. Industrial type of fitting will be provided in the technical areas. Coating areas will have flameproof type of fitting. Manufacturing areas and Storage areas will have 400 Lux and other areas will have 250 Lux illumination level.

S.No.	Name of Equipment	Qty	Total Cost in Rs.Mn
1	Transformer and four pole structure	1	0.68
2	Metering Unit	1	0.68
3	PCC Panel	1	2.31
4	MCC	5	2.71

5	PDB	10	2.71
6	Cables Conduit Lot	1	2.71
7	Lighting GMP	1000	4.06
8	Lighting Non GMP	1200	3.25
9	Earthing System	10	0.34
10	Switches (1000 No. = 1 Lot)	1	0.27
	<b>TOTAL</b>		<b>19.72</b>

(Source: Estimate by company's management)

## 6. Utilities

Water treatment system will be designed to generate the USP 25 grade water. USP 25 grade water will be used for Washing, rinsing, Compounding purpose. The water treatment system will be in three parts viz. Primary treatment, Secondary treatment and Storage & Distribution system. The major components of the primary treatment system will be pumps, chlorine dosing, softener, dechlorination and first stage RO system. The part of water treated by the primary treatment system will be used for the utility equipments viz. Boilers, Cooling tower, Chilling plant etc. and balance water will be used for the secondary treatment system. The secondary water treatment system will have the second stage RO and an EDI polishing unit. Online instrumentation, controls and data logging will be provided. The entire operation will be PLC based.

The capacity of the plant will be worked out during the detailed engineering phase. The storage and distribution system will be of SS 316 wet parts. The distribution will be through closed circulation loop. Complete drain ability of the system will be assured. All wet parts will be electro polished with Ra value less than 0.4. The loop will be pressurized at 2 bars and a velocity of 1.5 to 2.0 m/sec will be maintained in the loop. Zero dead lag type diaphragm valve will be used in the system. Water for injection will be produced from the Purified water with help of multicolumn distillation plant. Pure steam generator will be installed for steam sterilization.

S.No.	Name of Equipment	Qty	Basic Cost in Rs.Mn	Supplier	Remark	Date of Quotation Received
1	Boiler 5 ton Capacity	1	1.80	M/s Thermax		24/08/02
2	Chimney	1	0.50	M/s Unicon		5/02/03
3	Air Compressor 472 CFM	1	2.40	M/s. Atlas Copco	Imported	22/04/2004
4	D G Set 500 KVA	2	3.65	M/s Greaves Cotton Ltd		8/12/2003
5	Chiller 2* 200 Tr	2	9.00	M/s Trane	Imported	5/05/2003
6	Water Treatment Plant	1	2.90	M/s Doshion		5/03/2005
7	Water Distribution System	1	1.54	M/s APF Water System		15/02/2005
8	Effluent Treatment Plant	1	1.50	M/s APF Water System		15/02/2005
9	Piping, Insulation and Mechanical works	1	2.50	Local		
10	Fire Fighting (Lot)	1	1.00	Local		
11	Freight, Erection & Commissioning , Taxes		11.61			
	<b>TOTAL</b>		<b>38.40</b>			

## 7. Quality Control

S.No.	Name of Equipment	Qty	Basic Cost in Rs.Mn
1	Humidity Chamber	1	0.15
2	Humidity Control Oven	1	0.15
3	Dissolution Tester	2	0.27
4	Conductivity Meter	1	0.01
5	PH Meter	1	0.01
6	U V Visible Spectrophotometer (UV 1601 PC)	1	0.46
7	Laser Diffraction Particle Size Analyzer (SALD 2001)	1	0.87
8	Fourier Transform Infrared Spectrophotometer (FTIR-8400)	1	0.63
9	Digital Wave Length Flying Spot Scanning Densitometer (CS-9301 PC)	1	0.10
10	High Pressure Liquid Chromatography (HPLC) - cto 10 as / vp Series	1	1.10
11	Atomic Adsorption Flame Emission Spectrophotometer (AA-6200)	1	0.82
12	Gas Chromatograph (GC-14B)	1	0.45
13	Total Organic Carbon Analyzer (TOC 5000)	1	0.78
14	Walk in Type Humidity Chamber	1	0.88
15	Bacteriological Incubator	1	0.03
16	Bacteriological Incubator Lab	1	0.02
17	BOD Incubator	1	0.02
18	BOD Incubator	1	0.02
19	Colony Counter (Bacteriological)	1	0.20
20	Auto Clave	1	0.03
21	Pass Box	1	0.07
22	LAF (Horizontal)	1	0.08
23	Antibiotic Zone Reader	2	0.02
24	Compound Microscope	2	0.02
25	Simple Microscope	2	0.02

**Plethico Pharmaceuticals Limited**

26	Cyclo Mixer	1	0.00
27	Heat Block	1	0.03
28	Freight, Erection & Commissioning , Taxes		2.73
	<b>TOTAL</b>		<b>9.95</b>

(Source: Estimate by company's management)

**Manpower Requirements:** The upgraded plant will require 143 employees working on a single shift basis which will be available locally.

**Schedule of Implementation:**

Activity	Commencement date	Completion date
Basic and detailed engineering & civil works	April 2006	August 2006
Procurement and contract awarding	August 2006	August 2006
Construction and erection	September 2006	April 2007
Commission / validation and trial runs	May 2007	June 2007
Commencement of operations	July 2007	--

(Source: Estimate by company's management)

**Project III - Setting-up of Research and Development & F&D Centre**

Presently new products are being developed on the commercial production size equipments. This calls for keeping the production equipments engaged for the research of new products and due to the minimum batch requirement the R & D batch size is also more. In order to have a dedicated facility for the new product research and development and to improve the formulation of the existing products, this facility at Manglia plant is being proposed. This facility will be capable of developing the products viz tablet capsule, liquid orals, injectable and ointment.

We plan to set up a state of the art CRO which will help the Company initially for it's F&D purposes like Pilot scale batch size manufacture, Continuous improvement of NDDS process, handling full fledged Clinical trials for Registration purposes, advanced Chemistry laboratory, capability to analyse qualitatively & quantitatively herbs using finger printing technology.

The total cost of the project is as follows:

Sr. No	Particulars	Cost (Rs Mn)
1.	Land	0.15*
2.	Civil Works	50.11*
3.	Process Equipments	26.24
4.	HVAC	16.01
5.	Electricals	7.78
6.	Utilities	34.02
7.	Quality Control (QC) / IPQC	9.95
8.	Architect Fees	4.45
	<b>Total Cost</b>	<b>148.71</b>

(Source: Estimate by company's management)

## 1. Land

The land admeasuring 50,000 Sq.feet will be acquired by us near our existing Manglia Plant. \*We have paid Rs 0.15 Mn out of internal accruals for the land.

## 2. Civil Works

Sr. No	Particulars	Total Cost (Rs Mn)
1.	Site Clearance & Earth Work	0.93
2.	Concrete Work & Structural Steel & Roofing Work	6.95
3.	Masonry, Plastering & Flooring Work	5.69
4.	Doors & Windows , Painting Work	3.60
5.	Water Supply & Sanitary Fittings, Expansion, Front Elevation	27.03
6.	Cement , Reinforced Steel & Structural Steel	5.91
	<b>Total</b>	<b>50.11</b>

(Source: Estimate by company's management)

The Manufacturing Plant Building will be a Ground plus one structure with a footprint of 8000 Sq.ft and total built up area will be about 16000 Sq.ft. The Structure will be RCC with externally masonry brickwork and clean room demountable panel inside.

Critical areas like Granulation, Tablet Compression, Coating, Capsule filling, Primary Packing area, Dispensing and Sampling area, Granules and Tablet quarantine area. Ointment, Liquid and Injectables manufacturing and filling, Secondary Change room and all the corridors and airlocks in the core manufacturing area will have clean room panels and walk able ceiling. Wall to wall, wall to ceiling and wall to floor coving will be provided. Edge protection corner and S S railing guard will be provided.

All the critical manufacturing areas will have GMP type double or triple seal type SS 304 drains. Process drain and Domestic Drains will have separate grid. All the drains will be finally terminated to the ETP through yard drain piping network. All the process drain Points will ensure the restriction of rodents in the Production areas. In the injectable area the design of trap will be sterile.

An overhead tank or pressurized water distribution with concealed piping wherever possible will be devised for the distribution of raw water for toilets. Doors in the core manufacturing areas will be of Press Steel door with PU paint and in other areas anodized aluminium doors will be provided. In order to achieve the see through effect in the facility Single or Double glazed windows will be provided in the various areas. Door interlocks will be required on critical airlocks. All the doors will have drop seal and door closer in order to maintain the desired room pressure.

\*Out of the cost estimated for civil works, we have spent already Rs 16.99 Mn through internal accruals.

## 3. Process Equipments

The major process and handling equipment for which we have received quotations from suppliers are as follows:

S.No.	Name of Equipment	Qty	Total Cost in Rs.Mn
1	Sifter	2	0.36
2	Multimill	2	0.35
3	RMG	2	1.20
4	FBD	2	1.71
5	Blender	2	0.43
6	Steam Kettle	2	0.27

7	Pan coater	1	0.04
8	Cuber Mixer	1	0.03
9	Double cone blender	1	0.05
10	Dry Granulatory	1	0.08
11	Homogeniser	1	0.06
12	Horizontal Main drive	2	0.36
13	Lab. Kneader	1	0.12
14	Lab. Mider	1	0.07
15	Liquid filling attachment	1	0.11
16	Mini Ball mill	1	0.02
17	Palletiser	1	0.03
18	Planetary Mixer	1	0.10
19	Steam Jacketered Mixer	1	0.12
20	Polishing drum	1	0.02
21	Ribbon blender	1	0.08
22	Sieve shaker	1	0.08
23	Triple roller mill	1	0.07
24	Universal gearing	1	0.05
25	V Blender	1	0.05
26	Verticle main drive	1	0.20
27	Wet Granulator	2	0.23
28	Tablet Compression Machine	4	2.78
29	PVC - Alu Blister Machine	1	0.51
30	Alu-Alu Blister machine	1	0.00
31	Blister Change parts	10	0.74
32	Autocoater 18'	2	2.72
33	Balances	6	0.63
34	RLAF	2	1.02
35	Injection equipments	1	1.35
36	Ointment equipments	1	0.68
37	DHS	1	1.77
38	Pure steam generator	1	0.87
39	Multicolumn Distillation Plant	1	2.69
40	Racks (Lot)	1	1.35
41	Stacker	1	0.81
42	Pallet (Lot)	1	0.68
43	Change Room Accessories (Lot)	1	1.35
	<b>TOTAL</b>		<b>26.24</b>

(Source: Estimate by company's management)

#### 4. HVAC

Critical areas like Granulation, Tablet Compression, Inspection, Coating, Capsule filling, Primary Packing area, Dispensing and Sampling area, Bottle filling and sealing area, Granules and Tablet quarantine area, Secondary change room and all the corridors and airlocks in the core manufacturing area will be under class 100000 at rest condition. These areas will have minimum 20 air changes per hour. Terminal hepa filter of suitable grade and riser will be provided in these areas. Room conditions will be 22+/- 2 degree Celsius and Relative humidity will be in

accordance to the product requirement in the various areas. Unit preparation area will class 10000 and injection filling and sealing area will be class 10000 and 100 under LAF.

All the airlocks will be positive with respect to the adjoining areas. Suitable dust extractor will be provided in the powder generating areas. Dedicated air handling System will be provided for all the critical areas. All the AHU will be GI PU coated and with puff insulation with suitably designed coils, filter, dampers etc., Ducting will be of GI sheet and insulation will be of TF quality thermocol / Polystyrene and aluminum cladded. High side of the system will be either centrifugal chilling plant or Screw Compressor or Vapor absorption plant. Same will be evaluated during the detailed engineering phase of the project. Chilled water piping, Brine piping, Hot water Piping will be insulated and will distribute from high side to all the AHU with the help of adequate pumping system. Silica based dehumidification System will be introduced for low Relative Humidity areas. A BMS will be required for operating, monitoring, controlling and data logging of entire HVAC system. The major equipments forming part of the HVAC are as under:

AHU Tag	Total Cost in Rs.Mn
<b>Ground Floor</b>	13.86
<b>First Floor</b>	2.15
<b>TOTAL</b>	<b>16.01</b>

(Source: Estimate by company's management)

## 5. Electricals

The Electrical system will mainly cost of the Four / Two pole structure, Transformer, metering unit, Main L T Panel and Main lighting distribution panel, PDB, LDB etc. A DG set of 1000 KVA is proposed for back up power. Lighting will be clean room type of fitting in the core manufacturing area. Industrial type of fitting will be provided in the technical areas. Coating areas will have flameproof type of fitting. Manufacturing areas and Storage areas will have 400 Lux and other areas will have 250 Lux illumination level.

S.No.	Name of Equipment	Qty	Total Cost in Rs.Mn
1	Transformer and four pole structure	1	0.41
2	Metering Unit	1	0.27
3	PCC Panel	1	0.68
4	MCC	5	1.35
5	PDB	10	1.35
6	Cables Conduit Lot	1	1.35
7	Lighting GMP	400	1.62
8	Lighting Non GMP	100	0.27
9	Earthing System	10	0.34
10	Switches (1000 No. = 1 Lot)	1	0.14
	<b>TOTAL</b>		<b>7.78</b>

(Source: Estimate by company's management)

## 6. Utilities

Water treatment system will be designed to generate the USP 27 grade water. USP 27 grade water will be used for Washing, rinsing, Compounding purpose. System will be in three parts viz. Primary treatment, Secondary treatment and Storage & Distribution system. The major components of the primary treatment system will be pumps, chlorine dosing, softener, dechlorination and first stage RO system. The part of water treated by the primary treatment system will be used for the utility equipments viz. Boilers, Cooling tower, Chilling plant etc. and balance water will be used for the secondary treatment system. The secondary water treatment system will have the second stage RO and an

EDI polishing unit. Online instrumentation, controls and data logging will be provided. The entire operation will be PLC based.

The capacity of the plant will be worked out during the detailed engineering phase. The storage and distribution system will be of SS 316 wet parts. The distribution will be through closed circulation loop. Complete drain ability of the system will be assured. All wet parts will be electro polished with Ra value less than 0.4. The loop will be pressurized at 2 bars and a velocity of 1.5 to 2.0 m/sec will be maintained in the loop. Zero dead lag type diaphragm valve will be used in the system. Water for injection will be produced from the Purified water with help of multicolumn distillation plant. Pure steam generator will be installed for steam sterilization.

S.No.	Name of Equipment	Qty	Total Cost in Rs.Mn	Supplier	Remark	Date of Quotation Received
1	Boiler 0.6 ton Capacity	2	0.94	M/s Parchem		21/02/2005
2	Chimney	1	0.50	M/s Unicon		5/02/2004
3	Air Compressor 282 CFM	2	1.64	M/s. Atlas Copco	Imported	22/04/2004
4	D G Set 500 KVA	1	1.83	M/s Greaves Cotton Ltd		8/12/2003
5	Chiller 2* 200 Tr	2	9.00	M/s Trane	Imported	5/05/2003
6	Water Treatment Plant	1	2.90	M/s Doshion		5/03/2005
7	Water Distribution System	1	1.54	M/s APF Water System		15/02/2005
8	Effluent Treatment Plant	1	1.50	M/s APF Water System		15/02/2005
9	Piping, Insulation and Mechanical works	1	2.50	Local		
10	Fire Fighting (Lot)	1	1.00	Local		
11	Air Drier	2	0.26	Delair		6/06/2005
12	WFI Distribution System	1	1.54	M/s APF Water System		15/02/2005
13	Freight, Erection & Commissioning , Taxes		8.87			
	<b>TOTAL</b>		<b>34.02</b>			

## 7. Quality Control

S.No.	Name of Equipment	Qty	Basic Cost in Rs.Mn
1	Humidity Chamber	1	0.15
2	Humidity Control Oven	1	0.15
3	Dissolution Tester	2	0.27
4	Conductivity Meter	1	0.01
5	PH Meter	1	0.01
6	U V Visible Spectrophotometer (UV 1601 PC)	1	0.46
7	Laser Diffraction Particle Size Analyzer ( 2001)	1	0.87

8	Fourier Transform Infrared Spectrophotometer (FTIR-8400)	1	0.63
9	Digital Wave Length Flying Spot Scanning Densitometer (CS-9301 PC)	1	0.10
10	High Pressure Liquid Chromatography (HPLC) - cto 10 as / vp Series	1	1.10
11	Atomic Adsorption Flame Emission Spectrophotometer (AA-6200)	1	0.82
12	Gas Chromatograph (GC-14B)	1	0.45
13	Total Organic Carbon Analyzer (TOC 5000)	1	0.78
14	Walk in Type Humidity Chamber	1	0.88
15	Bacteriological Incubator	1	0.03
16	Bacteriological Incubator Lab	1	0.02
17	BOD Incubator	1	0.02
18	BOD Incubator	1	0.02
19	Colony Counter (Bacteriological)	1	0.20
20	Auto Clave	1	0.03
21	Pass Box	1	0.07
22	LAF (Horizontal)	1	0.08
23	Antibiotic Zone Reader	2	0.02
24	Compound Microscope	2	0.02
25	Simple Microscope	2	0.02
26	Cyclo Mixer	1	0.00
27	Heat Block	1	0.03
28	Freight, Erection & Commissioning ,Taxes		2.73
	<b>TOTAL</b>		<b>9.95</b>

(Source: Estimate by company's management)

**Manpower Requirements:** The upgraded plant will require 40 employees working on a single shift basis which will be available locally.

**Schedule of Implementation:**

Activity	Commencement date	Completion date
Basic and detailed engineering & civil works	July 2005	August 2006
Procurement and contract awarding	August 2006	August 2006
Construction and erection	September 2005	December 2006

Commission / validation and trial runs	January 2007	February 2007
Commencement of operations	March 2007	--

(Source: Estimate by company's management)

### **Project IV - Acquiring a stake in a OTC / Domestic herbal / Nutraceutical Company or a Brand**

We have always believed that inorganic growth is a faster way to scale up and grow. We target to acquire a strategic stake of upto 40% in an Indian Company dealing in higher end therapeutic segment like Diabetes, anti Cancer, Anti AIDS, Cardiac etc thus enduring in the process contract manufacturing orders from this acquired company. We will also be able to synergize marketing of our own products through this acquired company in markets in which we are not present and also vice versa besides in common markets, the non competing products could be marketed through common distributors. We are in the advanced process of identifying companies and in talks with some of the target companies for acquisition.

### **Project V - Setting up a Corporate Office in Mumbai**

We are currently located in leased premises at MIDC, Andheri (E), however, the growing business and stature has made it imperative to contemplate an office of our own.

The total cost of the project is as follows:

Sr. No	Particulars	Total Cost (Rs Mn)
1.	Land	120.00
2.	Civil Works	53.21
3.	HVAC	2.10
4.	Electricals	8.36
5.	IT & Office Automation Equipment	7.95
6.	Architect Fees	2.50
	<b>Total Cost</b>	<b>194.04</b>

(Source: Estimate by company's management)

#### **1. Land**

We have identified a site located opposite the domestic airport at Vile Parle (East), Mumbai for the same. The proposed land is admeasuring 3209 sq.mtrs approximately.

#### **2. Civil Works**

Sr. No	Particulars	Cost (Rs Mn)
1.	Site Clearance & Earth Work	0.76
2.	Concrete Work & Structural Steel & Roofing Work	5.68
3.	Masonry, Plastering & Flooring Work	10.77
4.	Doors & Windows, Painting Work	7.19
5.	Water Supply & Sanitary Fittings, Sewerage, Elevation	4.84
6.	Cement, Reinforced Steel & Structural Steel	5.57
7.	Interiors	18.40
	<b>Total</b>	<b>53.21</b>

(Source: Estimate by company's management)

### 3. HVAC

The major equipments required for HVAC are as under:

Sr.No.	Area Covered	TR	Total Cost in Rs.Mn
1	Canteen	2	0.06
2	Waiting Area	2	0.12
3	Department -1	2	0.12
6	Department -2	2	0.12
9	Department -3	2	0.12
12	Department -4	2	0.12
15	Department -5	2	0.12
18	Department -6	2	0.12
21	Stores and Documentation room	1.5	0.05
22	Department -7	2	0.12
25	Department -8	2	0.12
28	Department -9	2	0.12
31	Department -10	2	0.12
34	Department -11	2	0.12
37	Stores and Documentation room	1.5	0.05
38	Director	1.5	0.20
42	PA Room	1.5	0.12
46	Conference Room	2	0.09
47	Dining Hall	2	0.09
	<b>TOTAL</b>		<b>2.10</b>

(Source: Estimate by company's management)

### 4. Electricals

The Electrical system will mainly cost of the Four / Two pole structure, Transformer, metering unit, Main L T Panel and Main lighting distribution panel, PDB, LDB etc. A DG set of 1000 KVA is proposed for back up power. Lighting will be clean room type of fitting in the core manufacturing area. Industrial type of fitting will be provided in the technical areas. Coating areas will have flameproof type of fitting. Manufacturing areas and Storage areas will have 400 Lux and other areas will have 250 Lux illumination level.

S.No.	Name of Equipment	Qty	Total Cost in Rs.Mn
1	Transformer and four pole structure	1	0.41
2	Metering Unit	1	0.14
3	PCC Panel	1	1.76
4	MCC	2	0.54
5	PDB	4	0.54
6	Cables Conduit Lot	1	1.35
7	Lighting Decorative	750	3.04
8	Lighting Non GMP	100	0.27
9	Earthing System	2	0.07

10	Switches (1000 No. = 1 Lot)	1	0.27
	<b>TOTAL</b>		<b>8.39</b>

(Source: Estimate by company's management)

## 5. Information Technology & Office Automation

The breakup for the Information Technology & office automation equipments cost is as under:

Sr. No	Name of Equipments	Qty	Total Cost (Rs Mn)	Name of the Supplier
1	Desktop Computers	100	4.25	Digicon Systems
2	Software	100	1.30	LDS Infotech Pvt. Ltd
3	Printers	4	0.24	Digicon Systems
4	UPS – 3 KVA online	1	0.45	Accutech Power SolutionS (P) Ltd
5	Networking - Managed D link 24 Port All Gigabit ports - DWL – G510 LAN Card (Wireless) - DWL – G700AP Access Point	5 100 15	0.71	Digicon Systems
6	EPBX	1	1.00	
	<b>TOTAL</b>		<b>7.95</b>	

### Schedule of Implementation:

Activity	Commencement date	Completion date
Basic and detailed engineering & civil works	April 2006	May 2006
Procurement and contract awarding	April 2006	June 2006
Construction and erection	May 2006	June 2007
Commencement of operations	July 2007	--

(Source: Estimate by company's management)

### Details of Working Capital Requirement for the Expansion Project

Working capital margin of Rs. 275 million has been provided for the various projects based on requirement of working capital for the FY 2006-07. The working capital requirement has been worked out on the basis of assumptions given in the following table:

(Rs. in millions)

Particulars	1st YEAR			
	Period	Cephalosp- orin plant at Kalaria	Formulation unit at J&K	Total Amount
Raw materials	1 month	45.00	23.10	68.10
Packing material and transport	1 month	6.80	3.40	10.20
Finished goods	1 month	53.70	28.50	82.20
Work in progress	10 days	18.20	9.60	27.80
Misc Current Assets		10.00	10.00	20.00
Debtors	2 months	150.00	75.00	225.00
<b>Total</b>		<b>283.70</b>	<b>149.60</b>	<b>433.30</b>
Sundry Creditors	1 month	55.30	28.30	83.60
Other Current Liabilities		10.00	6.50	16.50
<b>Total</b>		<b>65.30</b>	<b>34.80</b>	<b>100.10</b>
<b>Net Working Capital Requirements</b>		<b>218.40</b>	<b>114.80</b>	<b>332.9</b>
Less: Working Capital out of internal accruals				57.9
<b>Working Capital Requirements out of IPO Proceeds</b>				<b>275.00</b>

### Our Existing Working Capital Limits

As on December 31, 2005 we were having working capital limits of Rs 410 millions. The detailed break up of working capital facilities availed is as follows:

(Rs Millions)

Nature of Limit	Existing Limit	Outstanding as on 31.12.05	Rate of Interest
<b>Working Capital</b>			
<i><b>Fund Based Limits</b></i>			
Cash Credit (Stocks / Book Debts)	50.00	00.70	9% (PLR – 1.50%)
WCDL FCNR(B)	80.00	80.00	LIBOR +300bps
EPC / PSDL	50.00	42.80	6.50%
Standby EPC / PSDL	20.00	20.00	6.50%
PCFC	100.00	97.00	LIBOR + 75bps
Standby PCFC	10.00	0.00	LIBOR + 75bps
<b>Total</b>	<b>310.00</b>	<b>240.50</b>	
<i><b>Non Funded Limits</b></i>			
L/C : DP / DA up to 180 days	50.00	10.85	
Bank Guarantee	25.00	10.05	
Adhoc Bank Guarantee	25.00	25.00	
<b>Total</b>	<b>100.00</b>	<b>45.90</b>	
<b>Grand Total</b>	<b>410.00</b>	<b>286.40</b>	

### Issue expenses

The expenses for this Issue include lead management fees, selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges, among others. The total expenses for this Issue are estimated to be approximately Rs. 78.90 millions, which is 7.17 % of the issue size.

All the Issue related expenses shall be met out of the proceeds of the Issue and the break-up of the same is as follows:

Particulars	Expenses (Rs Mn)	As a % of the Issue size
Management fees, underwriting commission and brokerage	33.00	3.00%
Marketing and advertisement expenses	19.00	1.72%
Stationary, printing and registrar expenses	16.90	1.53%
Legal fees, listing fees, book building charges, auditors fees	3.50	0.31%
Miscellaneous	6.50	0.59%
<b>Total</b>	<b>78.90</b>	<b>7.17%</b>

### Appraisal

Our fund requirements and deployment thereof are based on internal management estimates, and have not been appraised by any bank or financial institution. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in respect of the other activities.

### Funds utilised

The total expenditure already incurred by us for our new projects amounting to Rs. 29.70 Mn as of February 20, 2006 has been certified by M/s N.P.Gandhi & Co, Chartered Accountants by their letter dated February 20, 2006. The expenditure already incurred has been used in the following manner:

Nature of Expenditure	(Rs. in Mn)		
	Investment in land	Investment in Building	Total Investment
Project I – Kalaria Plant	1.50	10.90	12.40
Project II – J&K	0.00	0.15	0.15
Project III – R&D	0.15	17.00	17.15
<b>Total</b>	<b>1.65</b>	<b>28.05</b>	<b>29.70</b>

### Sources of Financing the Funds Already Deployed

(Rs. in Mn)	
Source	
Internal Accruals	29.70
Debt	-
<b>Total</b>	<b>29.70</b>

**Interim use of proceeds**

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to deposit the funds in Fixed Deposits with Scheduled Commercial Banks. These investments shall be in accordance with investment policies approved by our Board of Directors from time to time.

**Monitoring of utilization of funds**

Our Board along with the monitoring agency will monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our balance sheets for fiscal 2006, fiscal 2007 and fiscal 2008 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheets for fiscal 2006, fiscal 2007 and fiscal 2008 provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

NO PART OF THE PROCEEDS OF THE ISSUE WILL BE PAID BY US AS CONSIDERATION TO OUR PROMOTERS, OUR DIRECTORS, KEY MANAGEMENT PERSONNEL OR COMPANIES PROMOTED BY OUR PROMOTERS EXCEPT IN THE USUAL COURSE OF BUSINESS.

## SECTION IV: BASIS FOR ISSUE PRICE AND STATEMENT OF TAX BENEFITS

### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, ROC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

### Ranking of Equity Shares

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

### Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

### Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. 300 each. At any given point of time there shall be only one denomination for the Equity Shares.

### Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability;
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the terms of the listing agreements with the Stock Exchanges; and
- Such other rights as may be available to our shareholders under our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/ or consolidation/ splitting, pledge see the section titled “Main Provisions of Articles of Association of the Company” beginning on page 256.

### **Market Lot and Trading Lot**

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form subject to a minimum Allotment of 20 Equity Shares and in multiples of 1 thereafter.

### **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**

If we do not receive the minimum subscription of 90% of the Fresh Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines we shall ensure that the number of prospective Allottees to whom the Equity Shares will be allotted will be not less than 1,000.

## BASIS OF ISSUE PRICE

Investors should read the following summary along with the sections titled “Risk Factors” and “Financial Statements” beginning on pages ix and 155, respectively and other details about the Company included in this Prospectus.

### Qualitative Factors

- **Non infringing model of Business:** We have taken to *OTC* as a medium of selling globally including India. In India it is also part of the ethics practiced by the Company (*Also complying with the Non Compete pact signed as part of the deal for a period of 5 Years ending Nov, 2008*) following hive off Domestic Ethical division with Brands & Personnel to M/s. Shreya Lifesciences (P) Ltd.). Globally we sell on OTC basis and towards this end have invested in taking controlling stake in 6 M&D Companies (Rezlov) in CIS. This enables us to reach out to the customers that we wish to reach, through the medium we want to reach and the extent to which we want to reach.  
With our expanse of knowledge on the **Herbal & Nutraceutical** markets and scriptures, we have also taken to Herbal & Nutraceutical route which again are not in the clutches of IPR regime, so avoiding the tussle altogether.
- **State of art manufacturing units in Indore possessing capability of manufacturing all possible dosage forms:** The capacities built by us are across all possible dosage forms ie; Tablets, Capsules, creams, ointment, dry suspension, liquid orals, Injectables, Effervescent, caplets and powder. This allows us to offer to our clients any kind of dosage forms required by them.
- **Strong Formulation Development Technique including NDDS:** We are currently working on certain revolutionary centre filled lozenge which will have high medical value and will make this world a better place to live in. We have already established credibility by introducing Effervescent range, Once a Day therapy, Bi layer tablets, Combi packs, kits, Fixed Dose Combination.
- **Strong M&D tie up in Russia, CIS and Cambodia:** We are deeply focusing on South East Asian Markets & Latin American nations and to this end while our seed marketing has already gone underway, a comfort level is soon approaching in setting up M&D structures in these countries where the potential for growth is immense.
- **New manufacturing state of the art plant in Kenya to cater to COMESA (group of 17 Countries in Africa):** Kenya is a gateway to enter the African market. Africa is basically a tender market which is competitive and the time lags for delivery are sometimes scant. Besides this the COMESA affords a pricing difference for local players. African markets are dominated by Anti TB, Anti Malarial & Anti Aids formulation. We have thus ventured into setting up a world class manufacturing unit to cater to these segments.
- **Strong management team and motivated work force:** Our Management team is a mixbag of experience and youth, dynamism and conservatism in the fine balance. Apart from the promoters in the management, we have three professional chartered accountants on the board. We also are proud of the fact that we have no labour union in the company.
- **Foray into Backward Integration for cultivating essential critical herbs for captive consumption thus enabling high end finger printing technology for Herbal formulation:** We use 10 – 12 important but freely available herbs in major of our herbal formulations. With growing volumes and lack of consistency in standard quality of herbs received from open market, we feel that it is pertinent that we look at Organic Farming wherein we would develop a plot of land to cultivate and grow herbs which are critical for our herbal preparation. This will ensure uniformity in potency of the herbs and will thus enable the Company to undertake finger printing technology in complying with herbal quality assurance so important for foray into regulated markets.
- **Strong system oriented company:** We have invested in the Oracle, Peoplesoft, J D Edwards ERP platform which will enable us to integrate the business across the globe. This apart we have also invested in Sify Field Force Automation software in English plus Three additional languages viz; Spanish, French & Russian. This flexibility will enable us to reach out to the man on the field more completely.
- **Product list exceeding 400, transcending more than 39 therapeutic categories with exports to more than 45 countries across the globe:** Our product list is an ever expanding bag. The continuous formulation

development (F&D) helps us in entering all major therapeutic categories and through this F&D strength we are able to enter markets across the globe.

- **Existing Profit and dividend paying company with consistently growing PAT margins at CAGR of 29.72 % over the past 5 Years.**

### Quantitative Factors

Information presented in this section is derived from our unconsolidated restated financial statements, prepared in accordance with Indian GAAP.

#### 1. Earning Per Share (EPS) (as adjusted for changes in capital)

	<b>Net Profit after Tax (before extraordinary items) (Rs Mn)</b>	<b>No. of Adjusted Equity Shares (Mn)</b>	<b>EPS (Rs)</b>	<b>Weight</b>
Year ended June 30, 2003	164.45	7.60	21.64	1
Year ended September 30, 2004	357.42	7.60	47.02	2
Year ended September 30, 2005	561.30	7.60	73.86	3
<b>Weighted Average</b>			<b>56.21</b>	

\* EPS for the quarter ending December 31, 2005 was Rs.6.10 as adjusted for Bonus shares issued on December 26, 2005

#### Notes:

(1) The earning per share has been computed on the basis of adjusted profits and losses for the respective years/ periods after considering the impact of accounting policy changes, prior period adjustments/ regroupings pertaining to earlier years and before extraordinary items (net of taxes) as per the Auditors' Report.

(2) The face value of each Equity Share is Rs. 10

#### 2. Price/Earning (P/E) ratio in relation to the Issue Price of Rs. 300

- Based on year ended September 30, 2005, EPS is Rs. 73.86
- P/E based on twelve months ended September 30, 2005: 4.06
- P/E based on weighed average EPS: 5.33
- Industry P/E<sup>(a)</sup>

	<b>Personal Care – Indian</b>	<b>Pharmaceuticals – Bulk Drugs &amp; Formulations</b>
Highest	38.3	136.10
Lowest	18.3	8.90
Industry Composite	33.2	34.0

<sup>(a)</sup>Source: Capital Market Volume XX/24 dated Jan 30-Feb 12 2006

3. Return on Average Net Worth:

<b>Year</b>	<b>Net Worth (Rs Mn)</b>	<b>RONW %</b>	<b>Weight</b>
Year ended June 30, 2003	1060.41	15.51%	1
Year ended September 30, 2004	2083.79	17.15%	2
Year ended September 30, 2005	2623.43	21.40%	3
<b>Weighted Average</b>		<b>19.00%</b>	

\*RoNW for the quarter ending December 31, 2005 was 6.60% as adjusted for Bonus shares issued on December 26, 2005

Note: The RoNW has been computed on the basis of adjusted profits and losses for the respective years/ periods after considering the impact of accounting policy changes, prior period adjustments/ regroupings pertaining to earlier years and before extraordinary items (net of taxes) as per the Auditors' Report.

4. *Minimum Return on Increased Net Worth required to maintain pre-issue EPS*

Based on EPS based on September 30, 2005 – 67.58%

Based on EPS after the issue of bonus shares on 26<sup>th</sup> December 2005 – 16.89%

5. Net Asset Value:

Net Asset Value per Equity Share represents shareholders' equity less miscellaneous expenses as divided by weighted average number of Equity Shares.

(i) Net Asset Value per Equity Share for the year ended September 30, 2005 was Rs. 345.19 and for the quarter ending December 31, 2005 was Rs. 92.40.

(ii) The Net Asset Value per Equity Share after the Issue is Rs. 109.29

(iii) Issue price Rs. 300

6. Based on the nature of the services we provide, the comparison of accounting ratios for the closest comparable listed competitor in India is given below:

<b>Company</b>	<b>Year ended</b>	<b>Face Value per share (Rs.)</b>	<b>Basic EPS (Rs.)</b>	<b>P/E</b>	<b>RONW (%)</b>	<b>Book Value/ Share (Rs.)</b>
Dabur Pharma	March 2005	1	1.3	41.3	9.7	18.6
Emami Limited	March 2005	2	4.7	28.4	49.7	12.8
JB Chemicals	March 2005	2	7.0	15.4	22.1	35.6
Zandu Pharma	March 2005	100	134.90	20.2	16.7	910.1
Plethico Pharmaceuticals Ltd	September 2005	10	73.86	4.06	21.40	345.18

^Source: Capital Market Volume XX/24 dated Jan 30-Feb 12 2006 Category – Personal Care & Pharmaceuticals- Bulk Drugs & Formulations

7. The face value of each Equity Share is Rs. 10 per Equity Share and the Issue Price of Rs. 300 per Equity Share is 30 times of the face value.

The Issue Price will be determined by the Issuer in consultation with the Book Running Lead Manager on the basis of assessment of market demand for the offered securities by way of Book-Building. The BRLM believes that the Issue Price of Rs. 300 is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" beginning on page ix and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report beginning on page 155 to have a more informed view.

## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors,  
Plethico Pharmaceuticals Ltd,  
A.B.Road,  
Manglia - 453 771,  
INDORE (M.P.)  
India

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Plethico Pharmaceuticals Limited ('the Company') and its shareholders under tax laws presently in force in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, 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.

Our confirmation is based on the information, explanations and representations obtained from the company and on the basis of our understanding of the business activities and operations of the company and the interpretation of the current tax laws in force in India.

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

- The company or its shareholders will continue to obtain these benefits in future or
- The conditions prescribed for availing the benefits, where applicable have been/would be met.

**For N.P.Gandhi & Co.**  
Chartered Accountants

(Nilesh Gandhi)

Proprietor

Membership No.: 44294

Place: Mumbai

Date: January 18, 2006

## ANNEXURE TO THE CERTIFICATE DATED JANUARY 18, 2006

### BENEFITS AVAILABLE TO THE COMPANY UNDER THE INDIRECT TAX LAWS.

#### Beta – Lactum Division (Manglia Division)

1. The unit has been granted Sales Tax deferral facility upto the period ending December 13, 2006.
2. The unit has been granted Purchase Tax deferral facility upto the period ending December 13, 2006.
3. The unit has been granted Entry Tax exemption facility upto the period ending December 9, 2006.
4. The unit is also not liable to pay Excise Duty on manufacture of certain Formulations notified by the Government.

#### Orliq Division (Dharavara Division)

1. The unit has been granted Sales Tax deferral facility upto the period ending June 30, 2006.
2. The unit has been granted Purchase Tax deferral facility upto the period ending June 30, 2006.

#### General Division (Dharavara Division)

1. The unit has been granted Sales Tax deferral facility upto the period ending June 14, 2011.
2. The unit has been granted Purchase Tax deferral facility upto the period ending June 14, 2011.
3. The unit has been granted Entry tax exemption upto the period ending April 22, 2006.
4. The unit is also not liable to pay Excise Duty on manufacture of certain Formulations notified by the Government.

#### Unit in Special Economic Zone (Kandla unit).

1. The unit is exempt from Sales Tax if the goods are exported from India or sold to any other SEZ unit.
2. The unit is exempt from Excise Duty/Service Tax/ Value Added Tax/Central Sales Tax.

### BENEFITS AVAILABLE TO THE COMPANY UNDER THE DIRECT TAX LAWS.

#### A. To the Company

1. The company will be entitled to deduction under the Sections mentioned hereunder from its total income chargeable to Income Tax calculated otherwise than under the provisions of Section 115JB of the Income Tax Act, 1961.
2. Section 35(1)(i) and (iv) of the Income Tax Act, 1961 in respect of any revenue or capital expenditure in the nature of cost of land or scientific research related to the business of the company.
3. Section 35(2AB) of the Income Tax Act, 1961 in respect of any expenditure, not being capital expenditure in the nature of cost of land and building or in-house research and development as approved by the prescribed authority and upon entering into an agreement with the prescribed authority for co-operation in such research and development to the extent of a sum equal to one and one-half times the expenditure so incurred.
4. Section 35(1)(ii) and (iii) of the Income Tax Act, 1961 in respect any sum paid to Scientific Research Association which has as its object the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or Statistical Research to the extent of a sum equal to one and one fourth times the sum so paid.
5. The above deductions would be available upon the company fulfilling requisite conditions.
6. Subject to compliance with certain conditions laid down in Section 32 & Section 35D to the Income Tax Act, 1961 the company will be entitled to deduction for depreciation and preliminary pre-operative expenses.

7. In respect of tangible assets and intangible assets in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1<sup>st</sup> Day of April, 1998 at the rates prescribed under the Income Tax Rules.
8. In respect of machinery or plant which has been acquired and installed after 31<sup>st</sup> March 2002 for the purpose of new industrial undertaking or in respect of the existing manufacturing facilities which results in increasing the installed capacity by not less than ten percent a further sum of fifteen percent of the actual cost of such machinery or plant.
9. Subject to compliance with certain conditions laid down in Section 80IB of the Income Tax Act, 1961 the company will enjoy 100% tax exemption for the first five years of its operation and thirty percent tax exemption for next five years of its operation from the profits earned at its plant set up in State of Jammu & Kashmir provided it commences operations before March 31, 2007.
10. Subject to compliance with certain conditions laid down in Section 10A of the Income Tax Act, 1961 the company will enjoy 100% tax exemption for ten years of its operation from the profits earned at its plant set up in Special Economic Zone as declared by the Government of India upto year 2010.
11. Dividend (whether interim or final) received by the company from its investment in shares of another domestic company would be exempted as per the provisions of Section 10(34) read with Section 115O of the Act. Further, income received from units of a mutual fund specified under Section 10(23D) of the Act would also be exempt as per the provisions of Section 10(35) of the Act.
12. Capital assets are categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other listed securities or units of Unit Trust of India (UTI) or Mutual Fund units or Zero Coupon Bonds) are considered long term capital assets if they are held for a period exceeding 36 months. Shares held in a company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered long term capital assets if these are held for a period exceeding 12 months.
13. Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the capital gains. However, in respect of long term capital gains for resident shareholders, a benefit is permitted to substitute the cost of acquisition/improvement with the indexed cost of acquisition/improvement. The indexed cost of improvement adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.
14. As per the provisions of Section 112 of the Act, long term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to Section 112(1) specifies that if the long term capital gains arising on transfer of listed securities or units, calculated at the rate of 20% with indexation benefits exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit(plus applicable surcharge and cess).
15. Effective October 1, 2004 long term capital gains arising on sale of equity shares and units of equity oriented mutual funds as defined u/s 10(23D) are exempt from tax u/s 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (no.2) Act, 2004.
16. As per Section 54EC of the Act subject to the conditions specified therein capital gains arising to the company on transfer of a long term capital assets shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However if the company transfers or converts the notified bonds into money (as stipulated therein) within a period of 3 years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year. The bonds specified for this section are bonds issued by National Bank of Agriculture and Rural Development (NABARD), the National Highway Authority of India (NHAI), the Rural Electrification Corporation Ltd (REC) and Small Industries Development Bank of India (SIDBI).

17. As per Section 54ED of the Act and subject to the conditions specified therein, long term Capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an eligible issue of share capital. The investment is required to be made within 6 months from the relevant date of transfer. Eligible issue of capital means an issue of equity shares which satisfies the following conditions:
- The issue is made by a public company formed and registered in India.
  - The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section can be extended to shares forming part of the offer for sale by the existing shareholders. It may be relevant to note that the Central Board of Direct Taxes (CBDT) has clarified vide its Circular No.7/2003 dated September 5, 2003 that the term public issue in the context of Section 10(36) of the Act shall include the offer of equity shares in a company to the public through a Prospectus, whether by the company or by the existing shareholders of the company.

## **B. To the Members of the Company**

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

#### **Resident Members**

18. By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from domestic Company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the shareholders.
19. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being an equity shares in a Company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
- The transaction of sale of such equity share is entered into on or after October 1, 2004;
  - The transaction is chargeable to such securities transaction tax as explained below.
20. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax at the rate of 0.1% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.02% of the value payable by the seller.
21. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
22. In terms of section 10(23D) of the IT Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the Company.
23. Under section 48 of the Act, if the Company's shares are sold after being held for more than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
24. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the

Company will be exempt from capital gains tax if the capital gain are invested within a period of six (6) months after the date of such transfer for a period of at least three (3) years in bonds issued by:

- a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
  - d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989
25. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of six (6) months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely
- a) The issue is made by a public company formed and registered in India;
  - b) The shares forming part of the issue are offered for subscription to the public.
26. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
27. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and education cess @ 2%) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge and education cess @ 2%) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
28. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge and education cess @ 2%).

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

Apart from benefits as mentioned in points 18,19,20,21,22,23,24 and 25 above

29. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:-
- a) Under section 115E of the Act, where shares in the Company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess @ 2%) (without indexation benefit but with protection against foreign exchange fluctuation).

- b) Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

#### **Foreign Institutional Investors (FIIs)**

Apart from benefits as mentioned in points 18,19,20,21,22 and 23 above

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

- a) Short term capital gains – 30% (plus applicable surcharge and education cess @ 2%)  
b) Long term capital gains – 10% (without cost indexation plus applicable surcharge and education cess @ 2%).

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

#### **Venture Capital Companies/Funds**

31. In terms of section 10(23FB) of the Income Tax Act, 1961 all Venture capital companies/funds registered with Securities and Exchange of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

#### **Under the Wealth Tax Act, 1957**

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

#### **Under the Gift Tax Act, 1958**

33. Gift made after 1st October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable for any gift tax.

#### **Notes:**

All the above benefits are as per the current tax law as amended by the Finance (No.2) Act, 2005. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.

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

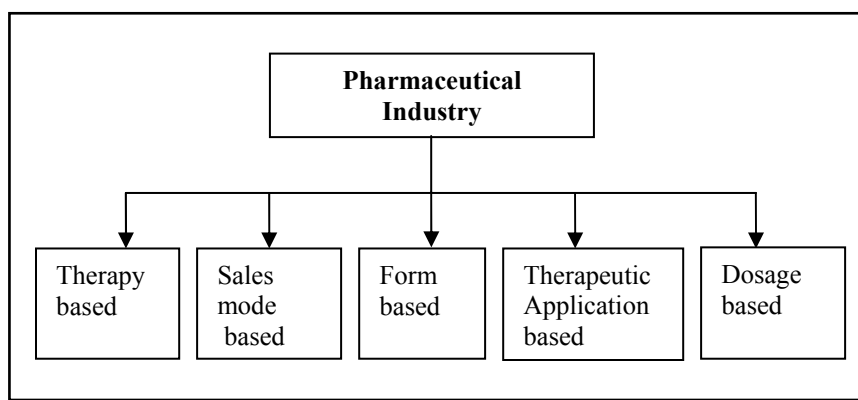
In view of the individual nature of tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail, each investor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

## SECTION V: ABOUT US

### INDUSTRY OVERVIEW

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

- **Segments of Pharmaceutical Industry:**



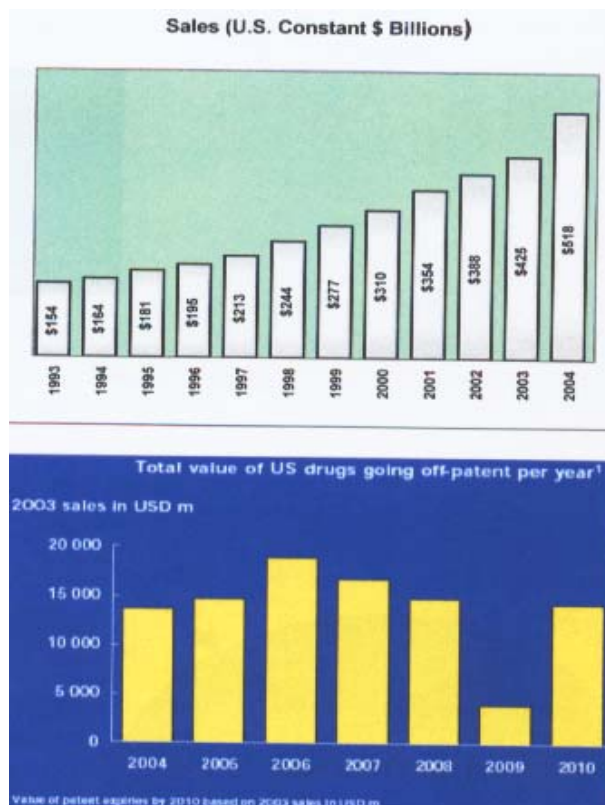
- **Therapy based classification:**
  - **Allopathic:** Formulation developed out of chemicals entities.
  - **Ayurvedic / Herbal (AYUSH):** Formulations developed out of herbs like chinese traditional herbs, traditional indian medication or ayurvedic herbs / other traditional medicines like Unani system/ Siddha system / Homoeopathic system.
  - **Nutraceutical/ Cosmoceutical:** Formulations based on Alternate system of medicine largely Herbal. It consists of Food Supplements, Nutritional supplements, Dietary Supplements etc..
- **Classification based on Sales Mode:**
  - **Ethical:** Sales generated out of Doctor’s prescription. Advertisement is strictly not allowed.
  - **Over the Counter (OTC):** Sales generated from products which do not require prescription from Doctor and are freely allowed to be so dispensed as per the Drug Laws either at chemist counter or stores. Advertisement is allowed.
- **Form Based Classification:**
  - **Bulk Drug:** Bulk drugs are the active pharmaceutical ingredients (APIs) with medicinal properties, which are used to manufacture formulations. APIs cannot be administered directly to the patient, and necessarily require other substances called “excipients” to be added to stabilise the mixture.
  - **Formulation:** Formulations are the end-products of the medicine manufacturing process, and can take the form of tablets, capsules, injectables or syrups, and can be administered directly to patients.
- **Therapeutic Application based:**
  - **Anti-infectives:** antibiotic (penicillin, sulphonamides, aminoglycosides, tetracyclines, macrolides, cephalosporins, quinolones, etc.), anti-parasitics (anti-protozoa, anti-malarials, anti-fungals, antihelminthic, etc.), and vaccines.
  - **Cough & Cold**
  - **Pain Management:** Anti pyretics and analgesics, NSAIDs and anti-rheumatics.
  - **Cardiovascular (CVS) Drugs:** cardiac therapy, anti-hypertensives and anti-hypotensives.

- **Central Nervous System (CNS) Drugs:** Analgesics, anti psychotics, anti-epilepsy, tranquilisers and sedatives, and anti-Parkinson's disease.
- **Gastro-intestinals:** Antacids, anti-ulcerants, anti-helminthics, anti flatulents and anti-diarrhoeals
- **Corticosteroids:** Topical corticosteroids, and systemic corticosteroids.
- **Genito-urinary:** Gynaecological preparations, sex hormones and stimulants.
- **Respiratory Drugs:** Cough and cold preparations, anti-asthmatics, anti-histamines, rubs, and anti-tuberculosis.
- **Vitamins:** Plain vitamins and combinations.
- **Anti-diabetics:** Insulin, oral anti-diabetics.
- **Other Drugs:** General nutrients, minerals, anti-anaemia, and blood plasma.  
*(Some of the therapeutic segments are overlapping because of multiple applications.)*
- **Dosage Based:**
  - **Tablet**
  - **Capsule**
  - **Caplet**
  - **Injectables including Dry Powder**
  - **Syrup**
  - **Dry Suspension**
  - **New Drug Delivery Systems (Once a Day Therapy/ Sustained Release/ Delayed release/ Effervescent Tablets etc)**
  - **Ointments/ Cream**

## GLOBAL SCENARIO

According to the data from IMS Health Incorporated or IMS, the global pharmaceutical industry has grown at the rate of 10% over the last seven years. The size of the global pharmaceutical industry is estimated at US\$518 billion and is concentrated in the developed world. Around 48% of the market is cornered by North America, 28% by the European Union and 11% by Japan as of December 2004. (Source: IMS Intelligence 360 Report). IMS Health projects that the global industry would register strong growth even in the face of continued government pressure on pricing and a number of widely used drugs going off patent.

- The pharmaceutical sector is the second largest global industry (banking is the largest)
- The US Federal Drug Administration (FDA) is the most powerful national regulatory body, driving the regulatory framework in which the sector operates globally.
- Global pharmaceutical players are facing expiry of patents on more than 75 percent of the drugs already in the streamline and their manipulation in getting these patents extended are facing with lot of resistance.
- In the wake of hosts of drugs going off patent in the U.S, approximately US\$80bn, higher purchasing power, increasing healthcare costs and well developed health insurance and reimbursement system in developed countries, Indian Pharma companies can seize this opportunity and increase the market share in the global market.



**Herbal Markets:** The global market for herbal products can be estimated as follows:

- WHO estimates put the global market for herbal products, including medicines, health supplements, and herbal beauty and toiletry products at over US\$ 60 billion. Another study (Kamboj – 2000) also estimates the market at \$ 60 billion growing at the rate of 7% per annum.
- Global Herbal Medicines Market : A further study (Laird and Pierce) placed the world market for herbal medicines at \$ 19.4 billion, with major components being :

-	Europe	\$6.7 billion
-	Asia	\$5.1 billion
-	North America	\$4.0 billion
-	Japan	\$2.2 billion

### **European Union (EU) – Largest market for herbal products**

The member states of the European Union together represent the largest single commercial market for medicinal plants and herbal remedies in the world.

- The EU Market for herbal medicines, dietary supplements and functional food is estimated exceed US\$ 7.5 billion (Commonwealth Guide to the European Market).
- The EU market for licensed herbals is estimated at US\$ 1.1 billion. Germany (49%) accounts for the largest share, followed by Italy (10%), France (9%) and UK (9%). Switzerland and Austria are also major consumers of herbal medicines.
- The EU market for medicinal plants used in functional foods and dietary supplements ( estimated at US\$ 1.3 billion in 1999) is growing with new formulations being developed at a much fast pace than in the licensed sector. Germany (40%) accounts for the largest share, followed by France (26%) and the UK (22%)
- The EU is also the largest importer of crude medicinal plants in the world and the three top importers are : Germany (38%), France (17%) and Italy (9%). Germany France and Italy are also the three leading manufacturers of herbal medicine in Europe.
- France and Spain are key producers of medicinal plants, followed by Germany and Austria. Outside the EU, Bulgaria and Turkey are most important source countries.

*(Source: EXIM Bank Publication Exporting Indian Healthcare, 2<sup>nd</sup> edition)*

The growth of the pharmaceutical industry and the unceasing development of new and more effective synthetic and biological medicinal products have not diminished the importance of medicinal plants in many societies. On the contrary, population growth in the developing world and increasing interest in the industrialized nations has greatly expanded the demand for medicinal plants themselves and the products derived from them. Regulations in countries for the assessment of the quality, safety and efficacy of medicinal plants, and the work of WHO in supporting the preparation of model guidelines in this field have been helpful in strengthening recognition of their role in healthcare. The assessment of these traditional remedies could become the basis for a future classification of herbal medicines as well as for evaluative studies on their efficacy and safety, and their potential use in national healthcare systems in different parts of the world.

### **Plant Derived Pharmaceutical Drugs**

Approximately 25% of the active components of drugs prescribed had their origins in higher (flowering) plants. According to Kate and Laird, about 42% of the sales of the top 25 selling drugs worldwide are either biologicals, natural products, or entries derived from natural products. Modern pharmacopoeia still contains at least 25% of drugs derived from plants. A comprehensive review of plant derived drugs identified a total of 119 drugs, obtained from fewer than 90 plant species (Farnsworth et al 1985, cited in New Pharmaceutical, Nutraceutical and Industrial products : The Potential for Australian Agriculture, Rural Industries Research and Development corporation 2000 – henceforth referred to as RIRDS). The drugs with botanical origins which are available today can be divided into a number of categories. These include long known products, which still remain the drug of choice today, such as cardiotoxic digitoxin, and new drugs, such as the taxoids from *taxus* sp. and artemisinin, and its derivatives from *Artemisia* spp. As there is growing demand for natural based medicines, there is considerable evidence that these medicines will take an increasing proportion of the existing (largely synthetic) drug markets.

The Pharmaceutical industry's attitude to medicinal plants and natural products has changed dramatically over the past few years. This is very much in line with the increased awareness and interest in medicinal plants and natural treatments amongst both the general public (especially in the area of self medication and functional cosmetic / food ingredients) and the scientific community. As a reflection of this, in 1980, none of the top 250 pharmaceutical companies had research activities involving higher plants, but by the early 1990's more than half of them had introduced such programs.

Reflecting the strong commercial precedence for drug derived from natural products, there are a number of companies specializing specifically in centering their technology platforms on active pharmaceutical ingredients derived from natural products. These products range from fungal systems (e.g. inhibitors of P-glycoprotein and plasminogen activator under development by Xenova) to higher plants including cancer treatments and fungal

inhibitors from Phytera, advanced stage cancer treatments from Oxigene and immuno modulators from pharmagenesis.

A common feature of many of these developments is that the companies involved enter into commercial partnerships with larger pharmaceutical companies. Collaborations are an import part of the natural product research, and many of the top pharmaceutical companies have long standing agreements with academia, the government and other companies to access natural products sources. The Indian Ayurveda and Siddha industry can take a cue from this and take proactive steps to form such strategic alliances, which have now become imperative in the era of competing global markets.

**Licensed and Unlicensed Botanical Medicines**

In Europe, the market for licensed herbal medicines stands at more than 500 million Euros (approximately US\$ 475 Million) and is dominated in terms of sales by products based on Ginkgo biloba, which account for the three top selling preparations. In Germany, where the herbal medicines market is particularly well developed, sales of Ginkgo have dropped during the last few years but sales of other herbs such as St.John’s Wort (*Hypericum perforatum*) increased sharply over the same period from 2.6 to 8.5 million units (cited in RIRDC)

Accurate markets figures for unlicensed herbal products are harder to locate than those for the regulated licensed market. However, the herbal / botanical market has been described as a leading sector within both the dietary supplement (Sauer) and over the counter (Wilhelm) markets. In the dietary supplement market, predicted growth rates are inversely related to the development of the market. In Germany and France, with their relatively well established history of using herbal supplements, annual rates are forecast to rise at approximately 5%, whereas in the UK and Scandinavia where the market is less well established, growth rates of more than 10% are predicted (Wilhelm).

**US and the European Market**

The vitamins and herbs / botanicals dominated the US dietary supplement market, garnering a combined share of 68% or almost US\$ 10 billion of the total US\$ 14.7 billion US market. Since most of the Ayurvedic products exported to the US fall into the herbs / botanicals category, this opens up an immense opportunity for the domestic Indian manufacturers of ayurveda and Siddha products to exploit this market condition to their advantage

In the US \$45.07 billion global OTC market, herbal supplements and vitamins were the strongest performing sectors reflecting the increasing worldwide interest in self medication. This is indicated in the table below, demonstrating that although not the largest category of OTC products, vitamins, minerals and supplements showed a growth more than 8% greater than any other category of OTC products in 1998.

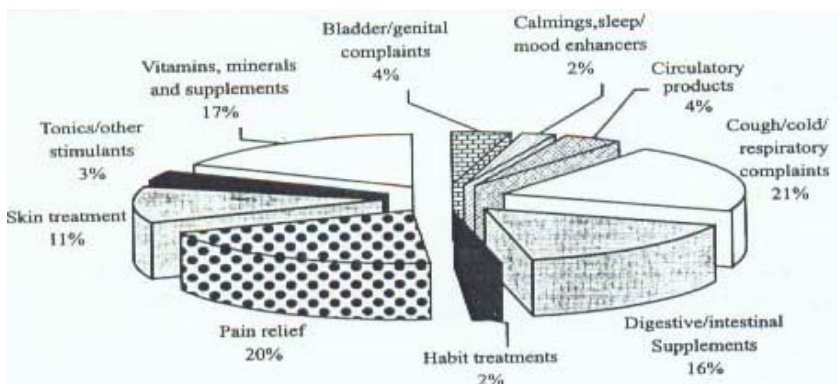
**Leading self medication markets: Growth Rates**

CATEGORY	YOY GROWTH (%)
Vitamines, minerals and supplements	16
Calmings, sleep /Mood enhancers	8
Skin treatment	6
Circulatory products	6
Pain relief	4
Digestive / intestinal supplements	4
Bladder / genital complaints	4
Habit treatments	2
Cough / cold respiratory Complaints	2
Tonics / other stimulants	-2

Source: IMS Health

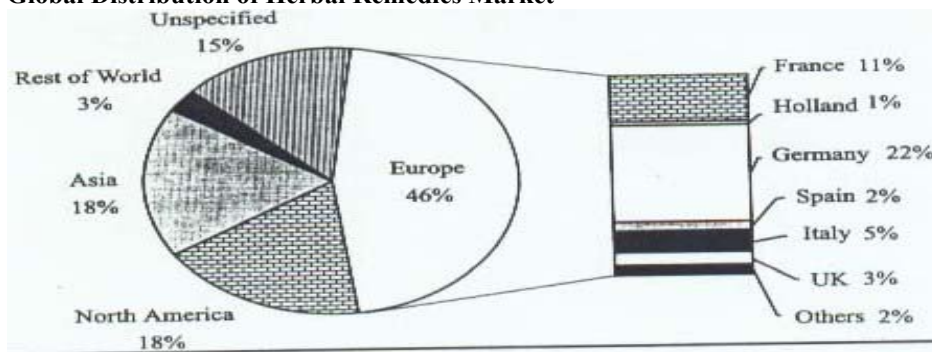
Looking at the global scenario, it can be seen from the pie chart below that the leading self medication markets include cough / cold respiratory complains, pain relief, vitamins, minerals and supplements and digestive / intestinal supplements. Not only did these four segments together accounted for almost three fourths of the global self medication markets but were also the ones to show relatively good growth (as is evident from the table above) Although the Indian Ayurveda and siddha manufacturers do cater to some of these segments, they should specifically gear their products, especially the OTC products, keeping in view this market situation.

### Leading World Self Medication Market Shares



As with the pharmaceutical market, the global distribution of herbal remedies markets, estimated at US\$ 16.7 billion in 1997 is dominated by the developed regions with Europe and North America together accounting for 64% of the world market (see pie chart below) the European market for herbal remedies accounts for 46% of the global market, and stood at US\$ 7.7 billion in 1997. Germany and France are the most established markets with a share of 22% and 11% in Europe respectively followed by Italy, UK, Spain and Holland. The Asian region also had a significant share in the global herbal remedies market being at par with North America at US\$3 billion, thus accounting for 18% of the total share in 1997 (Source: Phyto Pharm consulting, cited at RIRDC). However rapid growth rates have been forecast for the North American market reflecting the relatively nascent market for herbal remedies there. The Indian Ayurveda and Siddha manufacturers need to capitalize on this by focusing on this growing market.

### Global Distribution of Herbal Remedies Market



A survey of American companies involved in herbal business (Scimone and Scimone) indicated that herbs such as black cohosh rhizomes, artichoke leaves, nettle root, devil’s claw root, kava root and herb, isoflavonoids, from soy and red clover, neem products and hawthorn leaves / flowers will lead the market. Neem being indigenous to India , can be leveraged upon to explore export possibilities in the US Market.

Many of the top selling herbs in the US market are ‘crossover’ products, similar to those that have been successful in the European (and specifically German) markets. Based on this, it has been predicted that major selling herbs in the USA will be those which are relatively well established in the European market, but which have not yet been commercialized fully in the USA.

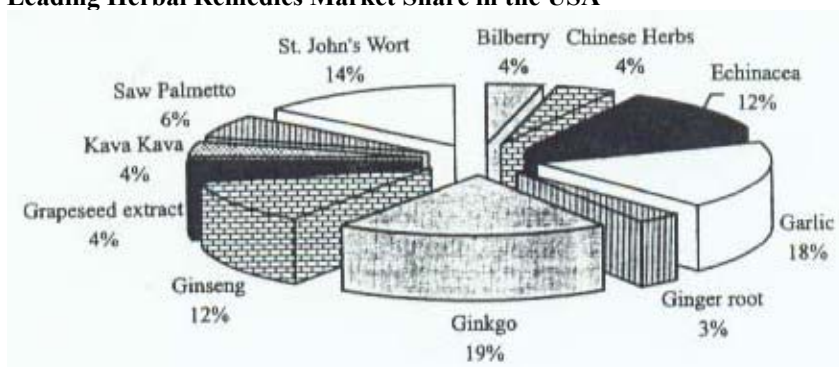
As shown in the following many of the top selling herbal remedies in the US are similar to those in Europe, headed by Ginkgo ginseng and garlic.

**Table: Herbs with predicted potential in the US Herbal remedy market.**

Herb	Plant Part	Indication
Black Cohosh ( <i>Cimicifuga racemosa</i> )	Rhizomes	Pre-menstrual syndrome, menopausal conditions
Artichoke ( <i>Cynara spp.</i> )	Leaves	Aids digestion, lowers cholesterol
Nettle ( <i>Urtica dioica</i> )	Root	Benign prostatic hyperplasia
Devils Claw ( <i>Harpagophytum procumbens</i> )	Root	Arthritis
Kava ( <i>Piper Methysticum</i> )	Root (and Herb)	Sedative, anti depressant
Soy and Red Clover	Isoflavonoids	Cancer prevention
Hawthorn ( <i>Cratagus spp.</i> )	Leaves & flowers	Cardiovascular degeneration
Neem ( <i>Azadirachta indica</i> )	Herbs, oil, resin	Infections and infestations.

Source: Scimone and Scimone

**Leading Herbal Remedies Market Share in the USA**



The strongest growth within this sector was shown by formulas containing St. John's wort, with a number of other formula types also showing growth rates of over 30%. The most popular Ayurvedic herbs, and their normal uses in the United States are provided in the table below. This information can be utilized by the manufacturers of Ayurveda and Siddha to modify their products accordingly for the US Market. Instead of exporting the raw herbs, the manufacturers and exporters should try to move up the value chain by exporting either extracts or products based on these medicinal herbs so as to exploit the huge opportunity that the market offers.

**Most popular Ayurvedic Herbal Plants in USA**

Herb	Use
Amalaki ( <i>Embllica Officinalis</i> )	Very rich in source of vitamin C. used to treat inflammation fever, infections, and to normalize cholesterol
Ardhrakam ( <i>Zingiber Officinale</i> )	Used to treat nausea, colds, and to improve digestion. May also prevent diarrhoea, arthritis and ulcers
Arishta ( <i>Azadirachta indica</i> )	Used to boose immune system, relieve allergies and inflammation. Heals skin conditions
Ashwagandha ( <i>Withania somnifera</i> )	Used to promote energy and vitality to combat weakness and to treat respiratory problems, and as a sedative
Brahmi ( <i>Bacopa Monniera</i> )	Used to stimulate mental function, and as a non stupefying sedative
Guggul ( <i>Commiphora mukul</i> )	Used as antiseptive and astringent anti inflammatory and to normalized blood cholesterol levels.
Haritaki ( <i>Termanalia chebula</i> )	Used to relieve constipation fight infections and cleanse the colon. May be antibacterial against salmonella
Mandukaparni	Used to treat wounds, jaundice, high pressure, and rheumatoid arthritits. Also

<i>(Centella asiatica)</i>	treats nervous disorders, and improves emotional and cognitive function
Shatavari <i>(Asparagus racemosus)</i>	Used to cleanse the blood and as a tonic, especially for the female reproduction organs, especially post menopausal.
Yashtimadha <i>(Glycyrrhiza Glabra)</i>	Used to combat stomach ulcers and intestinal irritation urinary and respiratory problems. Can also ease eczema, dermatitis and psoriasis.

### Global MADP Trade

During the late 1990s the average trade in pharmaceutical plants (SITC3:292.4 = HS 1211) averaged 400,000 tonnes valued at \$ 1.2 billion. Just 12 countries accounted for 85% of worldwide imports and 82% of the world's exports

#### Marketing of medicinal plants – Business Practices and Trade

Country of Import	Volume (Tonnes)	Value ('000\$)	Country of Export	Volume (Tonnes)	Value ('000\$)
Hong Kong	73650	314000	China	139750	298650
Japan	56750	146650	India	36750	57400
USA	56000	133350	Germany	15050	72400
Germany	45850	113900	USA	11950	114450
Rep. Korea	31400	52550	Chile	11850	29100
France	20800	50400	Egypt	11350	13700
China	12400	41750	Singapore	11250	59850
Italy	11450	42250	Mexico	10600	10050
Pakistan	11350	11850	Bulgaria	10150	14850
Spain	8000	27450	Pakistan	8100	5300
UK	7600	25550	Albania	7350	14050
Singapore	6550	55500	Morocco	7250	13200
<b>Total</b>	<b>342550</b>	<b>1015200</b>	<b>Total</b>	<b>281550</b>	<b>643200</b>

Source: UNCTAD COMTRADE database.

#### Definition of herbal products using MADP produce

While average annual global imports of medicinal plant materials were around US\$ 1.2 billion during the '90s and 2000s', the value addition from raw material into finished products is very significant and the following end products are being considered.

- *Phyto Medicines*: Plant based prescription drugs with formal market authorization involving detailed toxicological and clinical trials. According to a study (Kate Laird) 18% of the world's top 150 prescription drugs are from plant sources.
- *Herbal Remedies*: Ranging from very basic formulae made by traditional healers to sophisticated formulations sold as capsules, pills or liquid tonics, herbal remedies are generally classified as OTC medicines.
- *Herbal Teas and Infusions*: Hot water infusions, mainly supplied as Tea bags, Not considered as medicines and not subject to prior market approval unless therapeutic claims are made.,
- *Homeopathic Drugs*: Plant based preparations may use other substances and the end product is generally supplied in a globule form.,
- *Ayurvedic Drugs*: Ayurveda uses many different herbs in a single formulation with the number of herbal constituents ranging from five to seventy.
- *Dietary supplements*: Food Supplements of Plant origin not requiring market approval, provided no health claims are made.
- *Pharmaceutical Hybrids*: Plant based medicinal extracts used in either nutrition – pharmaceutical or cosmetic pharmaceutical hybrid products designed to enhance either health or beauty of the skin.
- *Aroma – therapy oils*: Oils used for therapeutic rather than solely fragrant purposes. Aromatherapy products can be supplied for use in a variety of different ways: Massage, bath, shower, inhalation, burner perfume or lotion.

It is also relevant to note that relationships exist between each of the above categories e.g. Peppermint is used in the production of herbal teas, fragrance flavours, as a base for well known branded OTC medicines. India exports of medicinal plants are just around 40,000 tonnes or less than 10% of total exports.

**Nutraceutical Markets:**

The precise market value for nutraceuticals is not clear reflecting the difficulty with which the market is defined. Depending on exactly what is concluded within the broad definition of ‘Nutraceuticals’ or ‘Functional foods’, the figures can look very conservative indeed. For example, a review put the market for functional foods in the United States alone at US\$ 14.7 billion, rising to US\$ 91.7 billion for a ‘broader’ nutraceuticals market, including natural / organic foods, foods consumed primarily for health benefits and lesser evil foods. The same report valued the US supplements market at US\$ 12.7 billion (Nutrition Business Journal). If the term ‘nutraceutical’ is taken in its broadest sense, including health foods, dietary supplements and natural foods, the global market has been put at US\$ 504 billion (Cited in RIRDC). US\$504 billion of this market is split equally between the US and Europe. Herbal extracts are predicted to show the fastest global growth in the nutraceutical field, largely due to their perceived health benefits, but also reflecting the relatively less stringent regulations in place in many countries. Germany by far was the leading importer of medicinal and aromatic plants in 1999. However, Germany’s share in total EU imports declined from 34% to 31% in while the share of France increased from 15% to 19% during the same period.

The leading suppliers of major medicinal plants sold in the European Union were USA, China and Germany. In terms of value, the leading suppliers of medicinal and aromatic plants to the EU in 1999 were USA, China and Germany. The imports by EU member countries in terms of value decreased by 22% and in terms of volume by 19% amounting to US\$ 331 million and 111 thousand tones respectively. Developing countries accounted for 42% of imported value and 53% of imported volume. Imports of medicinal plants to EU from India amounted to US\$ 14 Million in the same year.

Market research in Europe indicates that products that give energy are highly desirable in the UK, France and Germany. Other popular claims given in the top five health benefits in two out of these three countries include ‘Lowers cholesterol’ (UK and France), ‘promotes healthy bones; (UK and Germany) and ‘boosts immune system’ (Germany and France) The most desirable claims for nutritional / nutraceutical; products are shown in more detail at a country level in the table below.

**Most Desirable Health Claims for Produces in the UK, France, and Germany**

United Kingdom	France	Germany
1. Gives energy	1. Gives energy	1. Boosts immune system
2. Promotes healthy bones	2. Lowers cholesterol	2. Promotes healthy bones
3. Promotes healthy teeth	3. Increase disease resistance	3. Promotes healthy teeth
4. Reduced risk of breast cancer	4. Boosts immune system	4. Gives energy
5. Lowers Cholesterol	5. Prevents constipation	5. Promotes healthy gut

Source : *Leatherhead Food R.A*

**Regulated Markets:** The regulated markets have more intellectual property protection, including product patent recognition. As a result the regulated markets offer a premium for intellectual property protection, quality and regulatory compliance, along with greater stability for both volumes and prices. The United States is a highly regulated market and only products manufactured to stringent quality standards may be sold there. The USFDA also require that the manufacturing methods conform to current good manufacturing practices.

**Unregulated Markets:** The unregulated / semi regulated markets, which include many developing countries such as India, have lower entry barriers in terms of regulatory requirements with respect to the qualification process and intellectual property rights as compared to the developed markets. These markets generally do not recognize product patents and are often highly competitive, resulting in much lower prices and higher profit margins for producers.

## INDIAN SCENARIO

### Cross sectional overview of various classifications:

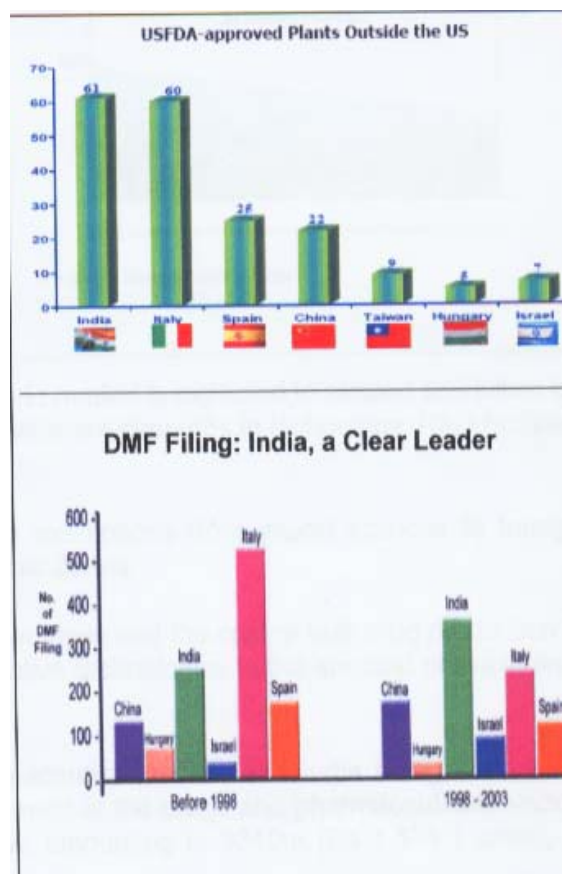
**Bulk Drug Industry:** The Indian pharmaceutical industry manufactures over 400 bulk drugs belonging to several therapeutic segments. Bulk drug production in the country recorded a CAGR of 19.5% during the period FY1994-2004, which is higher than the growth in the overall production of pharmaceuticals (CAGR of 15.8%) during the same period. Ability of the Indian manufacturers in chemical synthesis and reverse engineering, cost competitiveness of Indian producers, established quality of products, and approval of manufacturing facilities by international regulatory authorities like the USFDA and UKMHRA) have resulted in export orders coming from both developed and developing markets. Besides, low cost of production, flexible manufacturing infrastructure that allows the players to change product mix in response to changes in the customer demand and expertise in scaling up production from lab scale quantities to commercial production also indicate the manufacturing competence of the Indian pharmaceutical companies. Although formulations still account for a large share of the overall pharmaceutical production (in value terms), the proportionate share of bulk drugs has increased, and went up from 16% in FY1991 to 22% in FY2004.

**Formulation Industry:** The production of formulations in India increased at a CAGR of 15% during the period FY1994-2004. The exports of formulations from India increased at a CAGR of 19% during FY1994-2003. The strong growth in formulation exports during the 1990s can be attributed to exports made to the developing markets and the access gained by Indian players to the generics markets of developed countries. Moreover, with the Indian players strengthening their presence in the generic markets of regulated countries, formulation exports to such countries has increased. Formulations account for over 50% of the total pharmaceutical exports from India.

India has been offering affordable medicines with high quality to African countries and will keep supplying them, following the stringent regulatory norms. Not all African Countries have quality laboratories and quality control systems in place. It allows exporters to dump poor quality drugs. India can extend its support in setting up quality labs in the African region so that drug quality testing can be ensured and no substandard and poor quality drugs are marketed.

The achievements of the Indian Pharmaceutical industry during the last three decades are spectacular by any standards. The Indian pharmaceutical industry with its rich scientific talent and research capabilities, supported by Intellectual Property Protection regime, is well set to take a great leap forward. With US\$ 4 Billion is domestic sales and over US \$3 Billion in exports in 2004-05, the Indian pharmaceutical industry is showing satisfactory progress in terms of infrastructure development, technology base and product use emerging as one of the major producers of the pharmaceuticals in the world.

- Indian Pharmaceutical Industry has a global ranking of 4<sup>th</sup> in terms of volume and 13<sup>th</sup> in terms of value. Reflecting both, high production capacity and price competitiveness, exporting to 65 countries around the world.
- The total Indian production constitutes about 8% of the world market in volume terms and manufactures over 350 APIs (Active Pharmaceutical Ingredients)
- The Indian pharmaceutical industry has come a long way from being almost non-existent before 1970 to a prominent provider of healthcare products, meeting 95% of the Country's pharmaceuticals needs.
- The industry has increased from nearly US\$ 100 mn in 1970-71 to US \$ 6.6 bn in 2003, at a compounded annual growth rate of 13.7% per annum.
- Presently, Indian Pharma industry has the highest number of plants approved by then US Food and Drug Administration (FDA) outside the US. It also has the largest number of Drug Master Files (DMFs) filed which gives it access to the high growth generic bulk drugs market.



## Herbal (Ayush) – (A – Ayurveda, Yu – Unani, S – Siddha, H – Homeopathic)

### Ayurveda System

The word 'Ayurveda' comes from the word 'ayur' meaning 'life' and the word 'veda' meaning 'to know'. Ayurveda is the Science of Life. Its origin is beyond the Vedic Period because it is referred to in Vedas. Ayurveda takes an integrated view of the physicals and spiritual aspects of man. Ayurveda considers the human being as a combination of the three energies (Tridoshas), five elements (Panchmahabhutas), seven body tissues (Sapta Dhatu), five senses (Pancha Indriya), mind, intellect, and soul.

Ayurveda considers three fundamental universal energies, known as Tridoshas, which regulate all natural processes on both the macrocosmic and microcosmic levels. The same energies, which produce effects on the galaxies, operate at the level of the human physiology also. Dosh in Sanskrit means a blemish. When the three doshas are in balance, health is ensured. An imbalance caused by excess or deficiency leads to a disease. The three doshas are Vata, Pitta and Kapha. Vata is composed of space and air, Pitta is composed of fire and water, and Kapha made of water and earth. The blemish can be bodily or psychological. The body blemishes are Vata, Pitta, and Kapha. The psychological blemishes are Rajas, Tamas, and Sattva. Vata is originated from the Sanskrit word vaayu (wind) that moves things. Composed of space and air, the lightest and subtlest, it is considered to be the most influential. Pitta is associated with the digestion, heat production, providing color to the blood, vision, and skin luster. Kapha holds things together and gives strength, stability and endurance. It governs immunity and resistance.

### Ayurvedic & Traditional Medicines

According to Charaka, ayurvedic medicines are made of three kinds of substances, namely minerals and metals, vegetables, and materials of animal origin. The mineral and metals are diamonds, emeralds, and other gems; gold,

silver, iron, lead, and other metals; orpiment, sulphur, mercury and various sorts of earths including salts. Vegetables include vanaspati (vegetables, which produce fruits without developing flowers), vanaspatya (those that produce both fruits and flowers), virudh (which creep as they grow supported by other plants. They are known as pratanavati and valli), and oshadhi (Those which perish after the ripening of their fruits). All deciduous herbs and plants fall within this class. Animals are categorized into: jarayuja (All viviparous animals or mammals, andaja (All oviparous or egg born ones), swedaja (All worms and insects born from filth, animal excretions or rotten substances), and udbhijja (Tree born insects born of vegetable substances, or which take their birth underground and spring upwards after birth).

Traditional medicine includes diverse health practices, approaches, knowledge and beliefs incorporating plant, animal and / or mineral based medicines, manual techniques and exercises, applied singularly or in combination to maintain well being, as well as to treat, diagnose or prevent illness.

### **Complementary and Alternative Medicines**

The terms complementary and alternative, non-conventional, or parallel refer to a broad set of health care practices that are not part of the country's tradition, or not integrated into its own dominant health care system. For example, in China, acupuncture is a traditional medicine; but in European countries it is defined as complementary and alternative medicine.

Homoeopathy developed in Europe in the 18th century but after the introduction of allopathic medicine; it is not defined as traditional medicine but considered as complementary and alternative medicine.

### **Industry Turnover**

It is difficult to quantify the market size of the traditional Indian systems since many practitioners formulate and dispense their own recipes. As a result, the business in the herbal medicines segment is not exactly known. According to the survey conducted by the Department of ISM & H in 2001, the total turnover of ayurveda, siddha, unani and homeopathy was Rs. 4,200 Crores of which ayurveda and siddha together accounted for Rs. 3,596 Crores. Assuming an average annual compound growth of 10 percent, the sales of ayurveda and siddha medicines in May, 2003 i.e. reckoned at Rs. 4,350 Crores.

### **Exports of Ayurvedic Medicines**

Exports of ayurvedic medicines for both retail and non-retail sale have been shown in the following table:

<b>Ayurveda</b>		
<b>Year</b>	<b>Retail Sale</b>	<b>Not for Retail Sale</b>
1996-97	11.94	39.5
1997-98	25.32	42.24
1998-99	24.2	34.76
1999-00	40.56	36.23
2000-01	34.14	96.54
2001-02	39.22	92.26
2002-03	47.19	52.54

*(Source: Department of Commerce, Ministry of Commerce & Industry)*

Ayurvedic medicines are exported to a large number of countries of which the important destinations are the USA, Australia, Bangladesh, Taipei, Egypt, France, Germany, Indonesia, Italy, Japan, Korean Republic, Malaysia, Pakistan, Saudi Arabia, Sri Lanka, Thailand, UAE, Ukraine, Yemen Republic, Nepal, Germany, China and New Zealand.

India also exports medicinal plants and parts including seeds & fruits used for perfumery pharmacy/insecticidal or similar purpose. Exports of medicinal plants are much higher as compared to that of ayurvedic medicines. Based on

the information of Department of Commerce, Ministry of Commerce & Industry total exports of medicinal plants during FY 2002-03 was to the tune of Rs. 43,157.34 Lakhs.

It is no exaggeration to say that an 'Herbal Revolution' by India is just waiting to happen. India could truly become a global leader in the herbal medicine category by inventing and patenting medicines for several ailments by using a combination or mixture of herbal formulations.

### **Some Major Issues in Alternative Medicines**

- The Industry lacks professionalism and standards in production, packaging, etc.
- Claims by some manufacturers are not scientifically proven.
- Proprietary products are often marketed as classical preparations
- Rare herbs are not available and many species are likely to become extinct unless actions are taken to propagate their cultivation and use.
- Organic farming methods need to be encouraged for better efficacy and safety.
- The industry needs to go in for patenting medicines specified in the classical texts of Indian origin.
- The industry needs appropriate methods and devices for grinding, heating, preservation, and packing. For instance, control of moisture and fungal growth in lehyas, loss of oil and ghee on foaming in manufacture of kuzhambu, energy efficient heating methods in minerals and extraction in kashayamas need to be researched upon for further improvement.
- Good manufacturing practices need to be popularized.

### **Government Initiatives – Setting up Task Force to Boost Exports.**

A task force has been set up by the Government of India to promote exports. The global market is estimated at nearly \$80 billion, which covers herbal products known for their preventive, curative, cosmetic and nutrient qualities. India has only around one percent of this share, whereas the task force has set a target of 10 percent. India needs to take urgent steps to ensure that it would not lose out to other countries.

### **International**

A number of herbal products with medicinal value are likely to receive government approval soon, which would help overcome objections raised by European Union (EU) and boost exports. The Government of India has allocated Rs.150 crore to carry out international promotional activities and provide subsidies to give further support to domestic ayurveda industry looking at overseas markets. These promotional activities include funding of government surveys for herbal products in the US and providing assistance to industry to carry out more such surveys. The government has been sending trade delegations to various countries and supporting the participation in international trade shows to promote Indian system of medicines.

### **Policy initiatives**

Government Policy Initiatives would be focused on the following aspects:

- Focus on specific herbs
- Contract cultivation
- Buyback arrangement
- Online agri marketing
- Incentives for exports
- Tax concessions and investment incentives
- Creation of Herbal districts
- Exports promotion zone
- Gene Bank

### Focus on specific herbs

Herbs for Immediate Focus as per the policy are as under:

Aloevera	Jojoba
Amla	Kizhanelli
Catharanthus roseous	Natural Indigo
Coleus forskohlii	Senna
Davana	Stevia
Gloriosa superba	Vallarai
Gymnema sylvestre	Vanilla
Hibiscus	

**In addition, the following herbs have been identified long term focus:**

Ashwagandha	Kerth
Asoka	Kutki
Atees	Makoy
Bael	Mulethi
Brahmi	Musali Safaid
Chandan	Patchouli
Chirata	Pippal
Giloe	Rasaut (Daruhaldi)
Guggal	Saffron (Kesar)
Isabgol	Sarpagandha
Jatamansi	Shatavari
Kalmegh	Tulsi
Kokum	Vai vidang

#### **Contract cultivation**

Contract farming is an agreement between processing and or marketing firms, market intermediaries and the farmers for the production and support of agricultural products under forward agreement, frequently at predetermined prices.

#### **Buyback arrangement**

Involves firm arrangement between buyer and the seller to engage in marketing relationships on long term basis. Proper buy back arrangement would lead to stabilise the operation in herbal industry to a significant extent.

#### **Online Agri marketing**

Tie up on a build, own, operate basis with suitable private organisation for on line marketing of herbal products would be encouraged. With such new facility that can be termed E-agricultural marketing, operations of several mandis of the state can be online using V-Sat for connectivity.

#### **Incentives for exports**

The feasibility of providing subsidies for international product promotional activity would be examined. The following activities would be undertaken.

- Organise visits of trade delegations from abroad
- Sponsor conferences and seminars to provide interaction between herbal players in Tamil Nadu and global organisations.
- Set up offices abroad in selected countries to provide guidance and support to herbal industries.

### Tax concessions and investment incentives

In order to encourage the rapid growth of herbal industry and catch the imagination of investors from all over India and abroad, special investment incentives and tax concessions are necessary. Special investment subsidy, sales tax concessions and allotment of Government land on long term lease for focussed herbal projects would be considered. Particularly, to encourage initiatives amongst small scale herbal farmers and extractors/formulators and to recognise the individual talent and contribution, special annual awards would be instituted

### Creation of "herbal districts"

To provide excellent climate for the growth of herbal industry and get international recognition, a few districts in Tamil Nadu would be considered for being declared as "herbal districts".

In the "herbal districts", the feasibility of banning the use of synthetic pesticides and synthetic fertilisers and permitting only use of organic farming and use of bio-fertilisers, bio-pesticides would be considered. Hilly regions such as Nilgiris, Kodaikannal, and Anaimalais can be ideal choice for being declared as "herbal districts"

### Export Processing Zone

The objective of setting up Medicinal Plant Export Processing Zone is not only to accelerate exports of herbs in general but also to carve out a niche in the international market.

#### Criteria for Choice of Herbs for Export Promotional Zone

- Herbs that are almost exclusively produced in India, with export potential
- Herbs with small demand base in India and with export potential
- Herbs with excellent demand prospects in the global market.

### Recommended Herbs

Senna	Almost exclusively produced in India, with export potential
Davana	Almost exclusively produced in India, with export potential
Indigo	Small demand base in India but with considerable export potential
Periwinkle	Good export potential
Vanilla	Excellent demand prospects in the global market, particularly as Natural Vanilla can substitute for Synthetic Vanillin
Coleus Forskohlli	Excellent demand prospects in the global market.

### Gene Bank

Setting up of gene banks of different species of medicinal plants in all regions of the state would considerably help the herbal industry. A detailed survey would be undertaken for creating data base, about the availability of natural medicinal plants/herbs in the altitudinal and climatic zones.

### Nutraceuticals

Even though, in the Indian context, products of Indian Systems of Medicine (ISM) had always claimed that their efficacy for promoting health (not merely for curing diseases) is due to the potentiation of immunity in the patient thereby building resistance of the body against diseases, the modern concept of use of Nutraceuticals is a concept imported from the West.

These class of products range from Vitamins, Minerals and Trace elements, Herbal products and Amino Acids and Proteins to replacement therapy for various diseases due to deficiencies of essential nutrients. In fact, many of the Vitamins were discovered through their correlation to diseases such as Xerophthalmia & Keratomalacia (Vitamin A), Beri-Beri (Vitamin B1), Scurvy (Vitamin C), Rickets & Osteomalacia (Vitamin D), Pellagra (Niacin), RBC hemolysis & Creatinuria (Vitamin E) Glossitis, Peripheral Neuropathy & Lymphopenia (Vitamin B6), Megaloblastic Anaemia (Folic Acid & Vitamin B12), etc.

Same is the case of various minerals and trace elements, with around a dozen of them identified as essential for maintenance of the vital functions of the various mammalian tissues. Some of the more important are Iron, Iodine, Calcium, Copper, Manganese, Magnesium, Zinc, Cobalt, Molybdenum, Selenium, Chromium, Fluorine and Silicon. In addition to all these, herbal products have recently attained great importance and have become part of the complementary or alternate systems to modern medicine, as therapeutics and as prophylactics.

Majority of these products have one thing in common. They are all naturally occurring, whether from plants, animals or minerals, even though many of them are today produced through synthetic or fermentation routes.

### **Antioxidants**

Among the wide spectrum of nutraceuticals, the ones which have gained enormous markets are the class of products called antioxidants. While fruits and vegetables, notably, Spinach, Carrots, Tomatoes and others are good sources of antioxidants, reliance on packaged antioxidants with Vitamins C and E, Spirulina, Carotenoids, Curcumin etc, as well as semi-synthetic products such as Alpha Lipoic acid, Coenzyme Q 10 etc are getting increasingly popular as dietary supplements. The rationale behind their use is based on their role in the prevention of effects on body tissues of free oxygen radicals, by-products formed during the process of cellular metabolism. These radicals are capable of damaging most of the tissues of the human body such as the heart, lungs, liver and kidney. Thus, in addition to slowing the degenerative process itself due to age or disease, antioxidants have the capacity to ward off heart diseases, cancer, cataract, maturity onset diabetes etc. Antioxidants work by binding to the free radicals thereby converting them into benign products.

### **Nutraceuticals Markets**

#### **Global Regulatory Standards for Nutraceuticals**

In the U.S., both herbal and non-herbal Nutraceuticals which have not been developed as drugs through an NDA route, can be marketed only as food supplements. The Federal government taking into account these factors enacted the Dietary Supplements Health Education Act (DSHEA) in 1994. It was emphasized that no unreasonable regulatory barriers will be imposed which will affect the flow of these products. DSHEA considers it important to disseminate appropriate information linking nutrition and long-term good health. The U.S.FDA allows food manufacturers to list health claims on labels even before they are scientifically proven, but will crack down on false or misleading claims. The purpose is to enable consumers make better choices when selecting foods. With estimated annual sales of \$ 18 billion and 29000 products in the market and another 1000 added every year, the problem of monitoring them has become very complex.

In April 2004, the acting FDA Commissioner Lester Crawford outlined a new Science-based plan for Dietary Supplements enforcements, with the purpose of ensuring consumer protection under DSHEA. The regulatory requirement is that the labels can make claims about the impact of a supplement on the structure of the body, but the claims must be truthful and not misleading. A draft global model for functional claims prepared by the industry association, IADSA states that statements such as 'Calcium helps build strong bones', 'Vitamin A is important for vision', 'Plant sterols can help lower cholesterol' 'Product Y helps enhance body's natural defenses' should be allowable claims for dietary supplements. The Association further recommends that food supplements may be placed on the market without the requirements of notifications as long as the ingredients, claims and labels adhere to the standards set for dietary supplements and the products are manufactured according to cGMP standards. They may be allowed to be marketed and sold through retail trade, direct sale or by mail order.

In Europe, particularly in France & Germany, the track record of safe use is often the yardstick for approval. The German Federal Health Office insists that the manufacturing process and the concerned products are standardized. The principles of Hazard Analysis and Critical Control Points (HACCP) shall be observed in the manufacturing of dietary supplements. England too uses the experience of prior use as a valuable indicator of safety and efficacy. In China and India, traditional preparations are very widely used as complementary systems for management of healthcare. While in China the Traditional Chinese Medicines (TCM) are some what integrated with the modern system of medicine, in India, the two systems function as separate disciplines practiced only by those trained in the particular system.

It is thus obvious that in the global scenario, nutraceuticals are treated as functional foods or as food supplements and the relatively thin line of distinction between these products and drugs are based on the specific claims made for their use as healthcare products

### **OTC markets**

The burgeoning \$300 billion worth world pharmaceutical market is now assiduously changing strategies to extend the product life cycle (PLC) of their molecules. Most of the pharma majors are charging at the \$49.8 billion OTC market which is growing at an average rate of 3per cent, to increase the life of their molecules by getting the Food and Drug Administration (FDA) to convert their patented prescription drugs to over-the-counter

just prior to the patent expiry.

The main reason why most of the pharma biggies are doing this is to give tough competition to small companies entering the market with generics. In addition to which they have an already installed base with - on an average -- a good distribution network, an established brand image. So its like they will be building their stars if they switched from ethical marketing to OTC marketing thus entering the free markets. Further, this move coerces the other players in the market to work in the same direction, which requires huge investments. Establishing an OTC brand, in addition to huge investments also requires an extensive distribution network, which fetters entry of new entrants and small pharma companies. Indian pharmaceutical industry, which is highly fragmented, has so many drugs going off-patent but to switch them to OTC is difficult. Switching of prescription to OTC has two sides. On one hand while it can bring about a win-win situation for all, it also has some drawbacks for the manufacturers. It is a win-win situation for all because; firstly, FDA favours the switch as a drug becomes available at a comparatively lower price thus reducing cost of treatment. Secondly, in countries like the US where most of the medical expenses are covered by health insurance schemes, OTC drugs are out of their purview. Thirdly, a beneficial situation for the consumer too as good quality drugs are available at lowest possible cost due to competition. Lastly, good for the producer as it protects their molecule even after patent expiry.

Nevertheless this shift has also brought in various challenges like huge investments which could go up to about \$50 billion, which includes the cost from the high registration fees (taken by FDA) to building the brand. In addition to which pharmaceutical products being important for life require FDA's approbation by complying with its stringent standards, as OTC products are taken without consulting a doctor. This is of utmost importance in a country like India with an overall low literacy level; The FDA has to critically examine the safety profile and side effects of potential OTC drugs.

Hence, only preparations like those for cough and cold, antiallergic (some classes), balms, or a low dosage of some safe Non Steroidal Anti-inflammatory Drug (NSAID) etc. could be made OTC, e.g. paracetamol 500mg. The present scenario is, the biggest OTC market is about for ointments & balms (16%), analgesics & cold preparations (9%), antiseptic creams (8%), cough products (4%).

In addition to above if the potential OTC product is made with a slightly different formulation then additional clinical trial data is required along with bioequivalence studies data for such a product which could amount to anything up to \$300 billion. Distribution of OTC could be another reason why companies have to strategically formulate this switch.

Roping in the major competition offered by alternative medicines and a subdued OTC activity, which is only about five per cent unlike in the US, where it is about 17 per cent. Considering the Indian market also faces a problem because of the deemed OTC market wherein ethical drugs are also sold without a prescription due to poor controls and rampant self-medication.

Around Rs 3,500-crore worth products can still take the OTC route by companies developing distinct skills sets for their marketing and sales teams, not alienating doctors and taking a calculated risk of incurring higher promotional & distribution costs. Knowing proper OTC guidelines companies can also harvest the direct-to-consumer route for OTC drugs starting from the educated population first. As far as distribution is concerned the chemists reach is about 4% while that of a general store is 14%, a grocer is 52% and others 22%, if the reach of OTC drugs is increased to these then it can increase sales exorbitantly.

In spite of all the above challenges, the rewards are worth risk taking as a branded generic demands upto 50% premium over a generic product. To add on rise in self-medication due to lack of time, expensive doctors and increasing awareness of alternative medicine as seen in the field of Nutraceuticals further gives a strong platform for entry into this market.

## Exports

Pharmaceutical products rank amongst India's top export items. The country's exports of pharmaceutical products increased at a CAGR of 22.9% during the period FY1994-2003. While formulations account for over 50% of the pharmaceutical exports, share of bulk drugs has also increased since mid-1990s. The rate of growth in bulk drugs was relatively high at 29.8% (estimated) during FY1994-2003 as against formulations, which increased at the rate of 18.9% in the same period. Various factors that facilitated exports from India include cost competitiveness,

established quality, and certification of manufacturing facilities by the United States-Food and Drug Administration (USFDA) and United Kingdom Medicines and Healthcare products Regulatory Agency (UKMHRA).

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

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

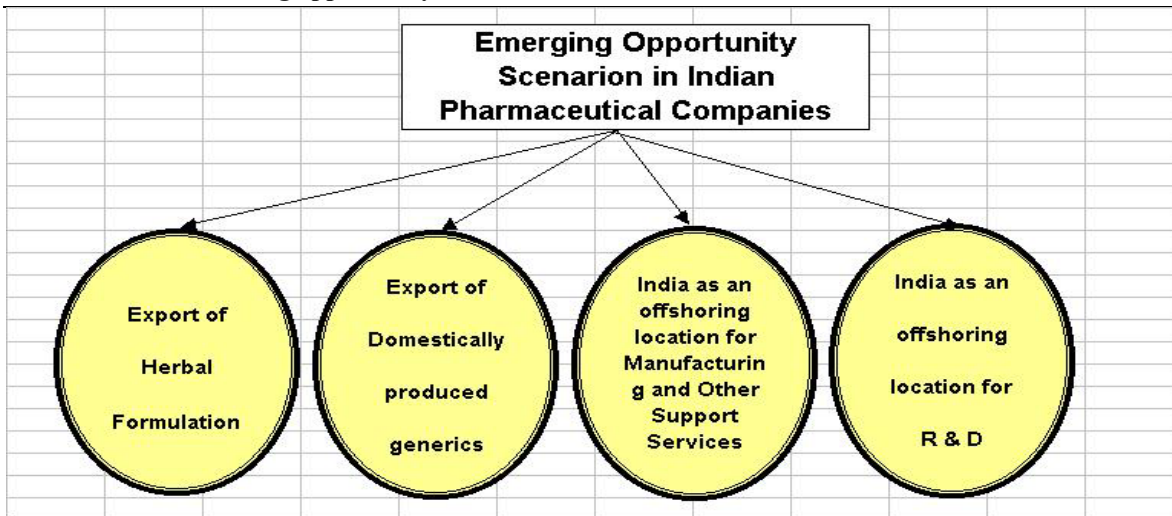
**Export Destinations**

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

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

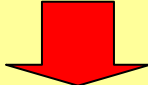

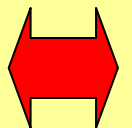

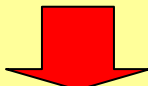
**Emerging Trends in the Indian Pharmaceutical Industry:**

**Global Markets – the big opportunity**



## India Advantage

India offers a unique value proposition for offshore manufacturing and other support services.

<p><b>Cost Savings</b></p> <ul style="list-style-type: none"> <li>• 40 – 50% net savings</li> <li>• Higher productivity</li> <li>• Scalable – workforce size</li> <li>• Wide scope of functions – low to high value skills</li> <li>• Process re-design potential</li> <li>• Shared infrastructure / cheaper real estate</li> <li>• Government fiscal benefits.</li> </ul> <p><b>Quality</b></p> <ul style="list-style-type: none"> <li>• Lower error rate, quicker turnaround</li> <li>• Specialization</li> <li>• Greater quality visibility and enhanced ability to manage quality</li> </ul> <p><b>Time</b></p> <ul style="list-style-type: none"> <li>• Faster turnaround using time zone differences (US 12 hrs, Europe 4-6 hrs)</li> </ul> <p><b>Revenue Enhancement</b></p> <ul style="list-style-type: none"> <li>• Sales life / higher customer retention</li> <li>• Revenue protection / reconciliation activity.</li> </ul>	<p>COST </p> <p>SCALE </p> <p>SCOPE </p> <p>QUALITY </p> <p>TIME </p>
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## Future Trends – Indian Markets

<p><b>Market Trend 1</b> Increasing focus on healthcare</p>	<ul style="list-style-type: none"> <li>• Health insurance is expected to drive demand in healthcare</li> <li>• Increasing number of corporates entering healthcare space</li> </ul>
<p><b>Market Trend 2</b> Change in Disease Profile</p>	<ul style="list-style-type: none"> <li>• Market is gradually shifting towards the life style related segment due to increasing awareness, detection and treatment.</li> </ul>
<p><b>Market Trend 3</b> India as an offshoring location</p>	<ul style="list-style-type: none"> <li>• Increasing cost, expiring patents and market dynamics are driving the MNCs to outsource both manufacturing and research activities.</li> <li>• Estimated savings of upto 50% to be derived by off-shoring to India.</li> </ul>

**Market Trend 4**  
**Drugs going off patent in**  
**the US**

- The US market will remain the most lucrative market for the Indian companies bled buy its market size and the intensity of blockbuster drugs going off patent.
- An estimated US\$45bn of drugs expected to go off patent by 2007 in US alone.

**Summary of the Emerging Trends:**

The global pharmaceutical markets present growth opportunities to Indian companies. There are essentially three model choices available to Indian Companies –

- The first model is to compete with innovator companies through patent challenges and early to market generics in the regulated markets.
- The second model is to partner with innovator companies worldwide for manufacturing and research across segments of the pharma value chain.
- Third, Work out a model which is non infringing say, Herbal Formulations / OTC.

The Other Models of Survival & Growth for Indian Pharmaceutical Companies are:

- Contract Manufacturing (CM)
- Contract Research (CRO)
- Contract Sales & Marketing (CSO)
- Increasing focus on specialty drugs.
- Increasing focus on R&D

## OUR BUSINESS

We have from the inception (the start of the Plethico group's operation dates way back to 1963 under the name of Plazma Laboratories for marketing generic drugs) been a formulation manufacturer, always believing in innovation. We pioneered introduction of Doxycycline based unique anti-biotic formulation under the brand name "Minicycline" and Co-Trimoxazole based unique anti-bacterial formulation under the brand name "Timizol". We also introduced for the first time in India, novel ayurvedic / herbal preparation under the brand name –Syndrex (Single Herb Methi extract was used to combat the new generation disease "Syndrome X") and also launched other products like Octogen, Previl, and were one of the first to launch allopathic combipacks, kit packs and bi-layer tablets.

Keeping with this spirit, we diverted our attention from the local ethical market to the lucrative OTC market in India and took a quantum jump on our operations on the Export front currently, the semi regulated / un regulated markets of Eastern Europe, Common Wealth of Independent States (CIS), South East Asian (SEA) nations, Gulf Co operation Council (GCC) Countries, Latin American Countries (LAC), Africas.

We have always adopted the "Branded Generic" model for marketing our allopathic formulations In India. So, this model has been replicated in the semi-regulated markets spanning Asia, Africa, Latin America and Russia/CIS regions.

Our formulation business operates in over 45 countries including India. The company employs approximately 250 sales personnel across these markets; of these over 150 sales representatives and front line-managers are employed in markets outside India.

We have divided our business into SBU's which operate independently and is a profit centre in itself. This helps the smooth running of the business and also enables us to take decisions faster ensuring that we do not miss any opportunity to do business.

**A.** In India, we currently have three SBU's in the OTC segment apart from the Contract Manufacturing / Toll Manufacturing SBU –

These SBUs currently has strength of around 100 sales personnel (including ISR). We intend to raise the field force team in the near future to be able to man the length & breadth of India and in the process also develop a strong M&D back bone which can be used as a spring board for quantum jump in the near future for expanding activities in India

**a. "Nutriscience (Sports Nutrition & Supplement) SBU"** - This SBU has been actively marketing niche products like sports nutrition – under the umbrella brand name "Coach's Formula", this includes products like Super Protein, Super Creatine, Weight Gain, Weight loss, Muscle Mass, Tone & Tighten, L-Glutamine, and Energizer which presents a complete bouquet of products which a health conscious individual, athlete, sports person would consume and eminent coach's would suggest.

**b. "Confectionary SBU"** - The Confectionary SBU markets herbal candies under the umbrella brand name of "Byte" & "Actifresh". It has launched 8 flavours of Byte in the market which have already been well accepted and plans to launch shortly another 24 flavours. .

**c. "OTC SBU"** – This SBU basically deals with the foot care & oral care segment. The foot care segment would cover a wide range of applications like cracks in winter on the foot which are devoid of moisture, odour freeing agent for the foot, and the like. Besides this, the Oral care would be a complete herbal range under Travisil umbrella brand, which will cater to the throat cough in lozenges form, syrup form, bouquet of oral products like herbal tooth paste, mouthwash, dental range.

## B. EXPORT SBU

On the export front the real focus started in 1996 after the advent of Mr.Chirag Patel, our CEO, who visited the CIS & African markets for long stints and travelled across these markets scouring for business opportunities. CIS business initially was mainly concentrated on Turkmenistan, Georgia, and Latvia and was mainly trading items to begin with. We started off with almost 100% trading items on our product list like Disposable Gloves, syringes, IV Sets, BT sets, etc. This trend was reversed after the advent of Global Distributor M/s. Tricon LLC, UAE, who actually gave path breaking access to Plethico in the CIS market. We, before taking the inorganic growth option of acquiring Rezlov, converted the almost 100% trading items portion to almost 100% own branded generics. We acquired majority stake in Rezlov group of companies keeping in line with our M&D strategy. The African market was serviced by way of sporadic tenders till we earned a reputation of delivering quality products on time and now we are set to service this vast African market through our MM&D structure in Kenya.

We have always adopted “*do in Rome as Romans do*” concept in each of the markets we have entered. CIS entry needed disposables items, so entry was through disposables, but long term goal was to establish as a broad based branded generic player, which we has achieved by offering more than 125 products across CIS markets which cater to various therapeutic categories. Africa has been a traditional tender market, which needs strong Anti TB, Anti malarial therapeutic presence, which has been our forte even in the domestic ethical market. We topped the Anti Malarial segment of Quinines (AC Nielson ORG MARG January 2003) and also ranked 3<sup>rd</sup> amongst top 5 Anti TB Companies in India, with the revolutionary 3/4 drug FDC (Rifampicin+Ethambutol+ Isoniazid & with or without Pyrazinamide). We have entered into a Manufacturing JV with a local partner – Mr Jayesh Saini in Kenya. This JV unit will help us achieve long term goal of establishing as a major player in the African sub continent. This is possible because the tender strength coupled with local manufacturing base in Africa translates to direct preferential entry into the (Common Market of Eastern & Southern Africa) COMESA Countries.

We currently have presence in niche segments like Herbal medication, NDDS, Cardiovascular, Diabetology and other Lifestyle drugs, nutraceuticals, medicated candies, food supplements and OTC / Consumer Products besides already being present in branded Generic formulations. We also focus on Contract Manufacturing as one of the important business areas of growth and offer both toll manufacturing and packaging operations to several domestic as well as international companies of repute. Plethico today has exports to more than 45 countries. The Company has more than 400 formulations in more than 39 therapeutic segments and a turnover of Rs 2241.18 Mn for the year ended September 2005.

***All Clients are prestigious to us but some few select well known ones are enlisted below:***

- Domestic clientele for Contract Manufacturing services:
  - IPCA Laboratories Ltd
  - Ajanta Pharma Ltd.
  
- International Clientele :
  - Hovid, Malaysia
  - Sel J, Philippines
  - Astron Limited, Sri Lanka

### **Business Segments & Focus:**

- Export of Branded Formulations – Herbal / Nutraceuticals, Allopathic, Disposables
- Contract Manufacturing
- OTC products.

In the international markets, our business is classified based on the markets we cater to, viz, the non-regulated markets like Russia, CIS, SEA countries, Latin American Countries etc.

The therapeutic wise sales break up is as given below:

(Rs Millions)

Therapeutic Category	2003-04	2004-05
Sport supplement	28.43	54.24
Mouth Freshner	14.83	42.79
Memory enhancer	37.59	35.69
Laxative	85.63	34.64
Haepatoprotective	30.34	67.38
Cough & Cold	318.48	1046.91
Cardiovascular	64.68	34.99
Aphrodisiac	59.63	75.90
AntiDiabetic	31.86	36.86
Others	1373.39	831.09
<b>Grand Total</b>	<b>2000.28</b>	<b>2221.85</b>

The details of our top brands in major therapeutic segments are as given below:

(Rs in Millions)

Therapeutic Category	Names of Major Brands	2003-04	2004-05
Analgesic & Antipyretic	Nimez Tab & Susp	0.46	6.02
Antiallergic	Loractive 10 Tabs	0.07	2.38
Antiarthritic	Ruthex Tablets	25.39	28.50
Antibacterial	Ceftrox ,Amoxycilline, Ceflox	0.00	7.99
AntiDiabetic	Diabaid tab	31.86	36.41
Antihypertensive	Plecidrex Tab	2.01	2.94
Antimalarial	Rez Q 300 Tab	2.55	4.71
Antispasmodic	Plenalgn Injections	1.11	3.25
Antiulcerant	GDU Kit, Pleom Capsules	2.97	13.75
Aphrodisiac	Andropower, Gynopower	59.63	74.50
Cardiovascular	Kolez Tablets	16.26	28.45
Contraceptive	2 to Tango condoms	1.66	15.03
Cough & Cold	Travisil, Therasil, Fastorik, Teesef	75.25	1045.05
Digestive	Plestal Tabs	8.78	10.52
Haepatoprotective	Esgipity, Proliv Tabs	25.39	66.42
Immunosupressant	Azaprin Tabs	3.57	3.90
Laxative	Dilaxo Granules	0.00	34.64
Memory enhancer	Memorite Tabs	37.59	35.69
Mouth Freshner	Actifresh Lozenges	14.83	42.79
Sport supplement	Coach's formula, Muscle Mass, Weight Gainer	27.11	49.94
<b>Grand Total</b>		<b>336.47</b>	<b>1512.88</b>

### Regulatory Affairs

We have a separate Regulatory Affairs Department, which was set up to handle registration of products for exports. We currently undertake submission of 55-60 Registration Dossiers per month for getting our products registered across globally.

The break up of sales during the year ended September 30, 2005 is given as under:

(Rs Millions)

CORE SEGMENTS	SBU	Total
<b>DOMESTIC</b>		
- CM/TM	India	643.87
- Ethical		0.00
- OTC		64.98
<b>EXPORTS</b>	AFRICA	464.01
	CIS	732.65
	GCC	3.90
	LAC	193.61
	SEA	118.83
<b>TOTAL</b>		<b>2221.85</b>

#### Capacity and capacity utilization Statement

The table below gives the details of the actual installed production capacity and the utilization of the production capacity covering all the plants based on the different forms of product produced. This data is based on the plants working on a single shift basis.

Product	Unit	June, 2003 (12 months)			September, 2004 (15 months)			September, 2005 (12 months)		
		Installed	Actual	%	Installed	Actual	%	Installed	Actual	%
Tablet / Lozenges	Nos.	11825	4657.32	39%	11825	5463.77	46%	11825	8479.52	72%
Capsules	Nos.	2550	764.28	30%	2550	839.68	33%	2550	950.63	37%
Ampoules/ Vials	Nos.	680	144.35	21%	680	150.34	22%	680	170.44	25%
Powder/ Granules	Bottles	1.5	1.56	104%	1.5	0.77	51%	1.5	1.14	76%
Dry Suspension/ Oral Liquid	Nos.	1314	421.01	32%	1314	275.19	21%	1314	378.32	29%
Ointment	Tubes	0.75	0	0%	0.75	3.01	401%	1.75	3.81	218%

Note :

(1) Installed capacity is based on single shift basis.

(2) The actual production is inclusive of goods manufactured on job work / loan licence basis for other companies.

## Our Location & Production facilities:

The company has three most modern, fully integrated, state of the art, WHO-GMP certified units. Two units are located in the lush green, pollution free surroundings of Indore, in the state of Madhya Pradesh, in Central India whereas one unit is located in a Special Economic Zone, Kandla in the state of Gujarat. The planning and construction of all the plants has been done to conform to the regulatory requirements of USFDA, UKMHRA and the cEU guidelines.

The details of these plants are set below:

Manufacturing Facility	Date of Commissioning	Plot Area (sq.mts.)	Built up Area (sq.mts)
Kalaria Plant	July 1999	100,818	15,462
Manglia Plant	April 1987	110,980	10,008
Kandla Plant	June 2001	457.56*	457.56*

*\*Two constructed sheds have been taken on lease at Kandla having total built-up area of 457.56 sq.mtr. The construction is only on ground floor. No open land is available, hence the land area is also 457.56 sq.mtr.*

These units have been individually planned to cater to the highly specialized manufacturing needs of different dosage forms namely Tablets, Capsules, Liquid Orals, Small Volume Parenterals, Lozenges, herbals, Beta – Lactum Antibiotics, Cephalosporin’s Dry Powder Injections, Nutraceuticals, Dry Syrups, Injectables, Candies and also External Preparations like Ointments & Creams.

Every unit has consolidated system in place to aid smooth and rhythmic manufacturing, which adheres to WHO GMP & MCC standards. Using the latest automated machinery, these units are capable of high capacity manufacturing under aseptic conditions. Kalaria unit is being upgraded to conform to stringent norms of the UK MHRA which will be followed by TGA- Australia, ENVISA-Brazil, PIC/S- European Union.

Special care is taken for the storage standards of each and every raw material, packing material and other intermediaries involved in the manufacturing process. The storage conditions are carefully monitored for humidity by way of air controlled rooms. Each plant has a central Air Handling Unit installed by ABB.

### 1. PRODUCTION FACILITY AT KALARIA PLANT

A world-class manufacturing facility was set up in the year 2000 on Indore – Ahmedabad road, about 16km from Indore city, at a place called Dharavara. It is totally free from industrial pollution and has excellent infrastructure like roads, streetlights, under ground drainage system, effluent Treatment Plant to suit the current Environment conservation Policies of the State.

This plant has manufacturing facilities for Allopathic Tablets, Capsules and liquid oral preparations and also produces sterile product requirements. It also manufactures a range of Small Volume Parenteral products like ampoules (up to 5ml) and Sterile Liquid Vials Injectables (up to 5ml pack size).

All manufacturing areas are equipped with HEPA filters to prevent cross – contamination between rooms for maximum environmental control. Separate monitors record airflow, temperature and humidity levels throughout the facility. The plant also manufactures new herbal / natural drug formulations of simple nature to service complex ailments.

The facilities adhere to cGMP standards to have the desired “In Built Quality” in the herbal range of products. The Herbal products are manufactured in different dosage forms like Tabs, Caps, Oral liquids and Powders / Granules etc. A separate isolated manufacturing area caters to dermatological range of products. This plant also manufactures PET bottles for captive consumption.

### Major Categories of products manufactured at Kalaria Plant

Delivery Type	Product Name	Markets
Capsules	BCAA Plus, Chronium Piclonate, Orfedipine, Red Horse, Tone & Tighten, X-Trim Cut	Domestic OTC and Exports
Cream / Ointments	Travisil cold rub, Tricort G.C.Cream	Exports
Dry Powder	Dexamethasone sodium, Diclofanac FD injection, Falquin, Fenagesic, Furosemide, Gentamicin, Plenalgin, Rez Q 500, Togesic 30	Exports
Powder	Coach's Formula, Energizer (orange), L-Glutamine	Domestic OTC and Exports
Suspension / Syrup	Bendam, Coolz, EmigyI, Faramax, Fastorik, Nimez, Releivo, Recofast, Therasil	Exports
Tabs/ Lozenges	Actifresh, Amino Power, Coolz, Bytes, Octoliv, Therasil Sore throat, Travisil Loz,	Domestic OTC and Exports

### Utilities at Kalaria Plant:

- **Heat Ventilation and Air Conditioning System (HVAC):**

Heat Ventilation and Air Conditioning System have been Supplied, Installed and Commissioned on turn key basis by: M/s Asea Brown Boveri Limited and M/s ETA Engineering Pvt Ltd.

The HVAC system of the core production areas i.e. tablet, capsule, injection, dry suspension, lozenges, rm stores etc. of the plant has been installed on turn key basis by a well known multinational HVAC giant named Asea Brown Boveri Limited (ABB). The entire HVAC System is fully automatic & PLC controlled and covered under building management system installed again by a well known multinational automation giant named Siemens India Limited. All essential pharma formulation aspects have been taken care of while designing the system.

S.No	Department	No of Air Handling Units/ Fan Coil Units	Load in Tons of Refrigeration	Cooling Media
1.	Injection	17	130	Chilled Brine
2.	Tablet Capsule	15	160	Brine & Chilled Water
3.	Micro Lab	01	4.0	Chilled Water
4.	Ayurvedic – Tablet/Cap/ Liquids	09	87	Chilled Water
5.	Quality Control & Administration	22 (FCU)	40	Chilled Water
6.	Liquid -Allopathic	16	140	Chilled Water
7.	R M Stores	7 (AHU) + 8 (FCU)	50	Chilled Water
8.	Lozenges	2.	39	Chilled Water
9.	Bonded Material Stores	6 (FCU)	14	Chilled Water
	<b>TOTAL LOAD</b>		<b>664</b>	

▪ **Water System**

Water is another critical aspect for any pharmaceutical industry. At Kalaria unit the source of raw water are bore wells. We are having two active bore wells in our premises. Out of the two, one bore well is dedicated to meet out the production and utility requirements whereas another one meets out the gardening and other miscellaneous requirements. The raw water is first collected into the underground water storage tanks of capacity 150,000 liters. The daily consumption of the raw water is around 60,000 liters. Before using the same it is been treated with the Sodium Hypo Chloride & Sodium Meta Bi – sulphite just to make it Potable Grade. The potable water is further treated and being converted to-

1. **Soft Water.**
2. **Purified Water.**
3. **Water for Injection.**

The Soft Water is exclusively used for the utility equipments .The purified water & water for injection are used for the production purposes. The entire water system is categories in two streams. First is the generation and second one is the distribution.

**Generation**

The processes which are being used for the generation of the soft water, purified water & water for injection are given as under.

**1. Soft water:**

Generated by using the Ion Exchange Process .The daily consumption of generation soft water for utilities is around 25000 liters/ day (approx.) at kalaria unit and 13000 liters/day (approx) at our Manglia unit.

**2. Purified Water:**

Basically two processes are used for the generation of the Purified Water.

- a. **De- Mineralisation Procedure:** This one is a Ion Exchange Procedure. The quantity of water being produced is around 6000 – 8000 liters / day (approx) at Kalaria Unit and 3000 litres/day (approx) at our Manglia Unit for daily requirement.
- b. **Reverse Osmosis Procedure:** The water is being generated by passing through the Semi permeable Membrane at the desired pressure. The quantity of water produced is 3000 – 5000 liters / day (approx) at our Kalaria Unit and 2000 litres/day (approx) at our Manglia Unit for daily requirement.
3. **Water For Injection:** Water for Injection is being generated by using the multi column distilled water Still. The quantity of the water produced is around 600 liters/ day (approx) at our Kalaria Unit and 500 litres/day at our Manglia Unit for daily requirement.

**Distribution of Water**

The entire purified water & water for injection distribution system is supplied, installed and commissioned by a well known multinational company named Alfa Laval India Limited at Kalaria Unit and by M/s APF Water Systems at Manglia Unit. All the critical aspects and regulatory requirements have been taken in to the consideration while designing the system .

**Department Wise Purified Water Consumption**

S.No	Department	Consumption / day
1.	Tablet Capsule- Allopathic	400 Ltr.
2.	Tablet Capsule – Ayurvedic	120 Ltr
3.	Liquids – Ayurvedic	1600 Ltr
4.	Liquids – Allopathic	3200 Ltr
5.	Injection	1600 Ltr
6.	RM Stores	40 Ltr
7.	Ointment	200 Ltr
8.	Lozenges	1600 Ltr

9.	MCDP, PSG	160 Ltr
10.	QC Lab	200 Ltr

**Department Wise Water for Injection Consumption**

S.No	Department	Consumption / day
1.	Injection	400 Ltr.
2.	QC Lab	80 Ltr.

▪ **Compressed Air**

The compressed air is generated by using Chicago Pneumatic Make Non Lubricated, Reciprocating Compressors. The generated air is further passed through the refrigerated air dryers and set of pre and fine filters of 0.2 Micron Rating. completely oil & moisture free compressed air is further distributed to the various users point through the SS Piping. The user's points or machine connections are finally provided with the 0.2 Micron Rating Cartridge Filters. Proper care has been taken to maintain quality of the compressed air required as per the pharma specifications.

**Department Wise Compressed Air Consumption:**

S.No	Department	Consumption (CFM)	Pressure ( Kg/Cm2)
1.	Tablet Capsule	78	7
2.	Injection	95	7
3.	Liquids	30	7
4.	Ointment	70	7
5.	Lozenges	16	7
6.	Pet Bottle	75	30

▪ **Nitrogen Gas**

Nitrogen is generated by using the Nuberg Engineering Pvt Limited make PSA Nitrogen Generation Plant. The in feed to the Generation Plant is the moisture, dust and oil free compressed air at 7 kg/cm2 pressure. This air is allowed to pass through the series of Ultra Filters and PSA Tower. Tower contains an imported carbon molecular sieve which absorbs the oxygen present in the compressed air and this is how the nitrogen is being generated. Nitrogen is then filtered through the fine filter before entering the Receiver Tank. In-line oxygen analyzer has been installed just before the Receiver Tank to analyze the % of oxygen present in the nitrogen. The nitrogen gas is a first pass through the Moisture Separator and 0.2 Micron Fine Filter before distributed to the various users point. At the Machine / User Point the Nitrogen is again filtered through the 0.2 Micron Filters.

**Department Wise Nitrogen Consumption:**

S.No	Department	Consumption( M3/Hr )	Pressure( Kg/Cm2)
1.	Injection	1.5	5.5 – 6.0
2.	QC Lab	0.25	5.5 – 6.0

▪ **Steam**

Plant Steam and Pure Steam are normally used.

**1. Plant Steam**

**Generation**

Plant Steam is a Dry & Saturated Steam generated by using the Soft Water. This steam is normally being used as Close & Open Steam to the various Heat Exchangers equipped with the Utility & HVAC Equipments (for heating purpose). Plant Steam is further used as a Close Steam to the Jacketed vessels of the various production areas. The entire distribution system is designed properly by providing the necessary Expansion Joints, Trap Assemblies, Air Vents & Pressure Reducing stations.

**Department Wise-Steam Consumption**

S.No	Department	Consumption ( Kg / Hr )	Pressure ( Kg/Cm2)
1.	Tablet Capsule	675	3.0 – 3.5
2.	Injection	275	2.0 - 2.5
3.	Water System	620	5.0 – 6.0
4.	Liquid – Ayurvedic	200	3.0 – 3.5
5.	Liquid – Allopathic	600	3.0 – 3.5
6.	Lozenges	775	8.5 - 9.0

**2. Pure Steam**

**Generation**

Pure Steam is generated by using the Pure Steam Generator. All the contact parts of the pure steam Generator are made up of SS 316. The Pure Steam Generator meets the current cGMP norms in all respects.

**Department Wise Pure Steam Consumption**

The entire distribution Piping is made up of SS 316 L duly Electro polished. The inside finishes are maintained at Ra < 0.5 and outside finishes are maintained at Ra < Grit 180. Proper care has taken so that the Pure Steam meets out the necessary pharma specifications.

S.No	Department	Consumption ( Kg / Hr )	Pressure ( Kg/Cm2)
1.	Injection	150	2.0 - 2.5

▪ **Electrical Power Supply**

The electrical installation is powered by 33000/415 volts, 2000 kVA capacity. The electrical power supply 33000 Volts is supplied through Industrial Feeder specially installed for Plethico to have an un-interrupted power supply from the MPSEB. The 33000 volts are stepped down at the plants HT substation through Step Down Transformer of capacity 33000/415volts, 2000 kVA.

The HT sub station is provided with Metering Equipments unit of MPSEB and a Ground operated Air Break Switch for isolation to perform Maintenance / Servicing of the entire HT/ LT Substation Equipments. After the A B Switch, the Lightning Arresters are provided to overcome the damages to the Substation during the Lightning Discharge. The Main Feeders are powered by change over switch fuse units to select the desired power either from MPSEB or from captive power generating sources. The selectibility is required to control the maximum demand beyond the contract demand at the time of excess load.

▪ **Captive Power Generation:**

There are 5 No Diesel Generating Sets of different Capacities are installed for the Captive Power Generation Purpose to over come the Power requirements during the Power Failure from MPSEB. The details of the DG Sets are given as under

S.No	D G Set No	Make	Capacity
1.	No I	Caterpillar	725 KVA
2.	No II	Caterpillar	380 KVA
3.	No III	Caterpillar	380 KVA
4.	No IV	Caterpillar	380 KVA
5.	No V	Crompton Greaves	250 KVA
	Total		2115 KVA

There is facility to Operate Two DG Sets in Synchronize Mode also. Total Captive Power Generation Capacity is 2115 KVA.

▪ **LD OIL & HS Diesel:**

LD Oil is required for running of Boiler whereas diesel is required for running of DG Sets. LD Oil Requirement is 550 Ltrs. per day. The tank capacity is 15000 Ltrs. HS Diesel Requirement is 500 Ltrs. per month and the tank Capacity is 15000 Ltrs.

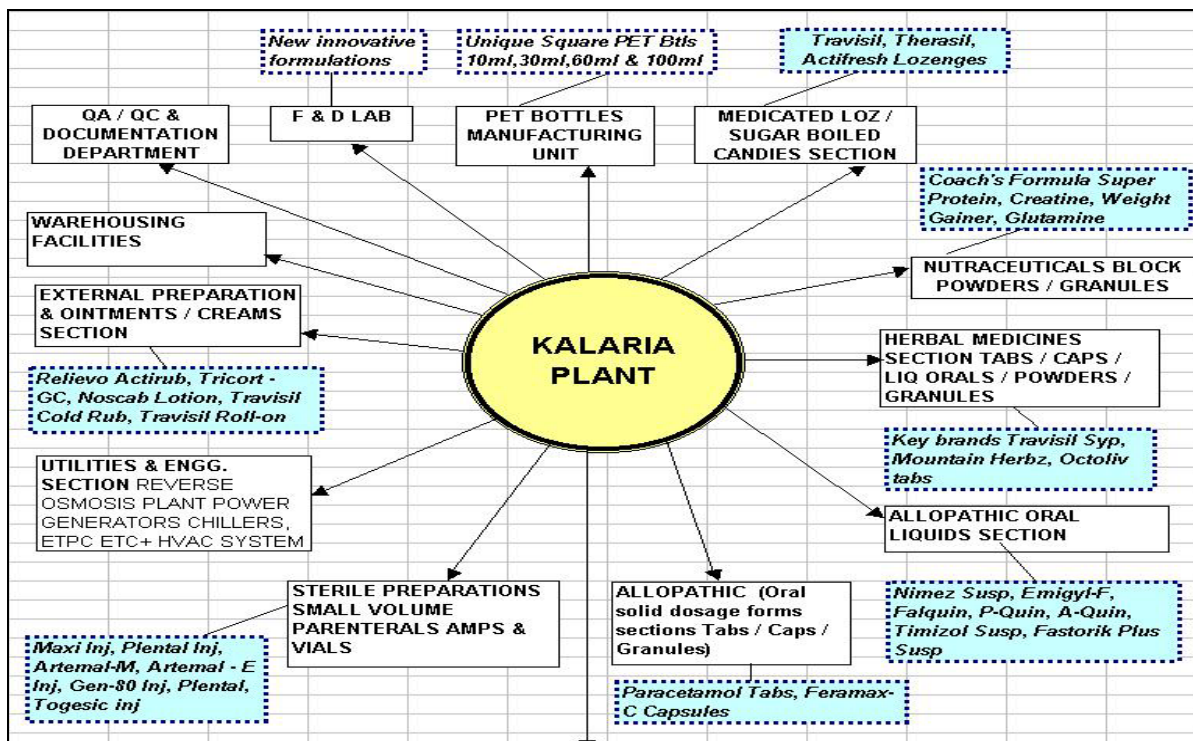
▪ **Effluent Treatment Plant**

**CAPACITY: 50000 Liters / Day**

The different waste water streams from the Process plant, Water treatment plant (Softener, ROP etc), Utilities (Cooling tower / Boiler blow down, etc) as well as domestic sewage waste water (from septic tank over flow) shall be collected together in the effluent collection tank through Bar Screen arrangement.

It is proposed to store the treated effluent in another tank and pumped during daytime for use in gardening around the process plant premises.

### Production Facilities – Kalaria Plant



### 2. PRODUCTION FACILITY AT MANGLIA PLANT

A world-class manufacturing facility at Manglia about 10 km. from Indore city located in open green fields and a natural picturesque environment. It has good infrastructure facilities like roads, streetlights, under ground drainage system, effluent treatment plant to suit the current environment conservation policies of the state.

This Plant has manufacturing facility for production of Allopathic Tablets, Capsules, Dry Syrups, Powders / Granules and Dry Powder Injections. A separate manufacturing facility has been created for manufacturing of  $\beta$ -lactam formulations like tablets, Capsules, and Dry Syrup & Dry Powder Injections. Plethico has also isolated & modernized the facilities for antitubercular group of products (involving Rifampicin as prime ingredient) as per cGMP requirements.

There is an isolated manufacturing facility with Low Temperature & Low Humidity control conditions suitable for manufacturing products involving Enzymes, which involves specialized and customized manufacturing process and technology. In addition the plant has well equipped manufacturing areas, other support facilities including, raw material / packing material Stores, Finished goods Warehouses, cafeteria, change rooms etc., are also built as per WHO – GMP norms.

Major Categories of products manufactured at Manglia Plant:

Delivery Type	Product Name	Market
Tablets / Lozenges	Acido Acetil Salicilico 81 Mg, Aciran, Albendazole, Alisazim, Alzox, Arvaz, Artimal, Bactigram, Cebect 500, Cefadrotec, Cibid, Derox, Desmin, fastorik, Emigyl, Gonocin, Kenspar, Odaft, Pantoz.	Exports

Capsules	Amdox, Amox, Bemax, Cefatax, Flucoral, Koxiserin, Nirocef 300, Nor-laprozol, Omeprazole, Pleom 20,	Exports
Dry Powder	Cefatax 1Gm Injection, Cefrox, Furoxim-750mg, Seltroz, Tarcef 1Gm,	Exports
Granules	Fastorik	Exports
Kits	GDU Kits, Gyno Kits, Peptica –L Kit	Exports
Suspension/ Syrup	Amoxicillna-FD, Normoxilanics D.S, Pleclox	Exports

**Utilities at Manglia plant:**

▪ **Heat Ventilation And Air Conditioning System (HVAC):**

S.No	Department	No of Air Handling Units/ Fan Coil Units	Load in Tons of Refrigeration	Cooling Media
1.	Dry Injection- Isolated Block	7	85	Chilled Brine
2.	Tablet, Capsule & Dry Syrup- Isolated Block	15	173	Chilled Brine
3.	R M Stores, Dispensing & Sampling –IB	2(AHU) + 9split A/c	30	Chilled Brine
4.	Tablet section-General Block	09	192	Chilled Brine
5.	R M Stores, Dispensing & Sampling –GB	2AHU+5 Split A/cs+10 window A/c	39	Chilled Brine
6.	Quality Control	4Window A/c+3 Split A/c	15	
7.	Micro lab	01	5	Ductable Split A/c with HEPA
8.	Packing Section- GB	08AHU+2 windowA/c+6Split A/c	61+25	Chilled Brine
9.	Capsule Section-GB	10	80	Chilled Brine
10.	Quality Assurance & Administration	01Split A/c+3window A/c	6	
11.	Cepheosprim Area	2	101	Chilled Brine
12.	Cepheosprim Area-packing section	2 split A/c	3	
12.	Rifampicin	09	55	Chilled Brine
13.	Rifampicin-Packing section	02split A/c	3	
	<b>TOTAL LOAD</b>		<b>873</b>	

**Water System**

At Manglia unit the source of Raw Water is bore wells. Due to low ground water level, the water is also procured from external sources as per the requirement. Out of the two bore wells, one is dedicated to meet out the Utility requirements whereas the another one meets out the Gardening and other Miscellaneous requirements. The Raw water is first collected into the Underground Water Storage Tanks having capacity of 50,000 Liters. The daily

consumption of the Raw water is around 40,000 Liters. Before using the same it is been treated with the Sodium Hypo chloride & Sodium Meta Bi – sulphite just to make it Potable Grade. The Potable water is further Treated and being converted to the:

1. **Soft Water.**
2. **Purified Water.**
3. **Water for Injection**

The Soft Water is exclusively used for the Utility Equipments .The Purified Water & Water For Injection are used for the Production Purposes. The entire water system is categories in two streams. First is the Generation and second one is the Distribution.

**Distribution**

**Department Wise Purified Water Consumption:**

S.No	Department	Consumption/day
1.	Tablet Capsule, Dry syrup-IB(RO water)	800Ltr.
2.	Injection(R.O. water)	1000 Ltr
3.	Tablet,-GB Ground floor	1200 Ltr
4.	General Block Capsule area	500 Ltr
5.	Refampicin	800 Ltr
6.	QC	500 Ltr

**Department Wise Water for Injection Consumption:**

S.No	Department	Consumption /day
1.	Injection	400 Ltr
2.	QC Lab	100 Ltr

▪ **Compressed Air:**

The Compressed Air is generated by using Atlas Copco Make Non Lubricated, Screw Compressors complete with Refrigerated Air Dryers and Ingersoll Rand make reciprocating compressors. The generated Air is Further Passed through the Refrigerated Air Dryers. Completely Oil & Moisture Free Compressed Air is further distributed to the various users Point through the SS Piping. The users points or Machine connections are finally provided with the 0.2 Micron Rating Cartridge Filters .

The details of the various equipments used for the generation of pharma grade compressed air are given as under.

S.No	Equipment Used	Make	Model	Capacity
1.	Air Compressor	Atals Copco	ZT90 VSD-F	450 CFM at 7 Kg / cm2
2.	Air Compressor	Ingersoll Rand	ESV/8x7 NL2	200 CFM at 6 Kg / cm2
3.	Air Compressor	Ingersoll Rand	15T/253	80 CFM at 6 Kg / cm2
4.	Air Compressor	Ingersoll Rand	15T	30 CFM at 6 Kg / cm2
5.	Air Compressor	Elgee		30 CFM at 6 Kg / cm2
6.	Air Dryer	Puriflair	CAA-HC20	200 CFM
7.	Air Dryer	Ingersoll Rand	DS 030	80 CFM
8.	Air Filters ( At user points )	Pall make	-	0.2 Micron , PP Cartridges

**Department Wise Compressed Air Consumption:**

S.No	Department	Consumption (CFM)	Pressure ( Kg/Cm2)
1.	General Block Tablet	102	7
2.	General Packing	95	7
3.	Dry Injection	70	7
4.	Isolated block Tab,Cap,Dry Syrup	80	7
5.	Rifampicin	85	7
6.	Cephalospirin	25	30

▪ **Nitrogen Gas:**

The Nitrogen plant is not available at our Manglia Plant and Nitrogen Gas is brought out from external sources. The department-wise consumption details are as under:

S.No	Department	Consumption (M3/Hr)	Pressure ( Kg/Cm2)
1.	Injection	1.5	5.5 – 6.0
2.	QC Lab	0.25	5.5 – 6.0

▪ **Steam:**

Plant Steam and Pure Steam are normally used.

**Plant Steam**

**Department Wise-Steam Consumption:**

S.No	Department	Consumption ( Kg / Hr )	Pressure ( Kg/Cm2)
1.	Tablet Capsule	200	3.0 – 3.5
2.	Injection	120	3.0-3.5
3.	Water System	220	4.0– 50
4.	Pure Steam generator	150	6.5-7.0
5.	HVAC system	300	6.0 – 7.0

**Pure Steam**

**Generation:**

Pure Steam is generated by using the Pure Steam Generator. All the Contact parts of the Pure steam Generator are made up of SS 316. The Pure Steam Generator meets the current cGMP norms in all respects. The Details of the equipment used for the Generation of the Plant steam are given as under:

S.No	Equipment Used	Make	Model	Capacity
1.	Pure Steam Generator	Pharma Lab	PS 200	200 Kg / Hr

**Distribution:**

The entire distribution Piping is made up of SS 316 L duly Electro polished. The Inside finishes are maintained at Ra < 0.5 and Outside Finishes are maintained at Ra < Grit 180. Proper care has taken so that the Pure Steam meets out the necessary Pharma specifications.

**Department Wise Pure Steam Consumption:**

S.No	Department	Consumption( Kg / Hr )	Pressure ( Kg/Cm2)
1.	Injection (Pure Steam Generator)	150	6.5 - 7.0

▪ **Electrical Power Supply:**

The Electrical installation is powered by 33000/415 volts, 950 kVA capacity. The Electrical Power Supply 33000 Volts is supplied through industrial feeder specially installed for us to have an un-interrupted power supply from the MPSEB. The 33000 volts are stepped down at the plants HT Substation through step down transformer of capacity 33000/415volts, 950 kVA.

The HT sub station is provided with metering equipments unit of MPSEB and a ground operated air break switch for isolation to perform maintenance / servicing of the entire HT/ LT Substation Equipments.

▪ **Captive Power Generation:**

There are 5 No Diesel Generating Sets of different Capacities are installed for the Captive Power Generation Purpose to over come the Power requirements during the Power Failure from MPSEB. The details of the DG Sets are given as under

S.No	D G Set No	Make	Capacity
1.	No I	Crompton Greaves	200 KVA
2.	No II	Crompton Greaves	380 KVA
3.	No III	Caterpillar	380 KVA
4.	No IV	Caterpillar	380 KVA
5.	No V	Caterpillar	380 KVA
	Total		1720 KVA

There is facility to Operate Two DG Sets in Synchronize Mode also. Total Captive Power Generation Capacity is 1720 KVA .

▪ **LD OIL & HS Diesel:**

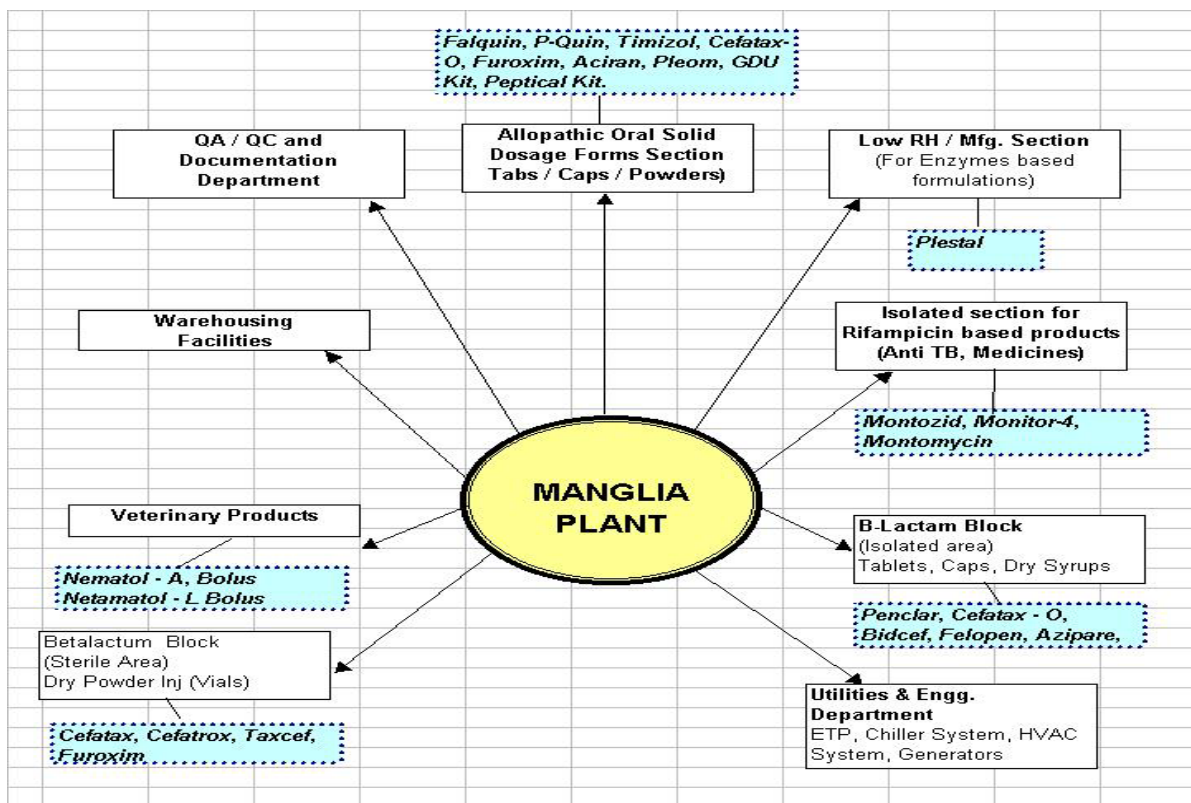
LD Oil is required for running of Boiler whereas diesel is required for running of DG Sets. LD Oil Requirement : 500 Ltrs. per day. Tank Capacity is 15000 Ltrs. HS Diesel Requirement : 3000 Ltrs. per month and tank Capacity : 5000 Ltrs.

▪ **Effluent Treatment Plant**

**CAPACITY** - The Effluent Treatment Plant (E.T.P.) is designed for 20m<sup>3</sup>/day (20,000 Litre/Day).  
Dosing Chemicals – LIME (CaCo3), ALUM, CAUSTIC SODA (NaOH)

The effluent is mainly generated from formulation equipment & Machinery wash every day & by floor washing. The other source of effluent is laboratory waste. In E.T.P. only physical chemical treatment performed. The effluent generation point & E.T.P. is confirming to IP limits & pollution control board (State/Central) limits. Outlet is suitable for plantation & gardening.

### Production Facilities – Manglia Plant



### 3. PRODUCTION FACILITY AT KANDLA PLANT

We started off our new unit in Special Economic Zone Area of Kutchhh, Gujarat (India) 2001, as a small unit under the name of Plethico Pharmaceuticals Ltd, catering our export requirements for few niche segment products like Dietary Supplements/Food Supplements in Tablets/Capsules – oral solid dosage form range and Liquid preparations like Travisil Syrup, to hone in the advantages and facilities provided for SEZ area of commercial activity.

We at Plethico, at all manufacturing locations, have a motivated, dedicated, highly qualified, stable and well-trained workforce with a good work ethics and attitude. This helps us to meet the expectations of our global customers about quality products, particularly quality herbal products. We have started of this unit in 2001 for export of Food Supplements and Herbal products range to CIS, Africa, LAC region and then expand it further to cater to the market demands for such products in USA & European markets. This unit is currently equipped to handle supply of herbal products(Tabs/Caps), Effertabs and lozenges dosage forms. The planning and construction of Kandla unit is done on the lines of current International requirements and cGMP guidelines for herbal products and supplements.

We have set up the pharmaceutical manufacturing facility at Kandla. The site is an ideal site for pharmaceutical manufacturing with good weather conditions throughout the year and free of any ruling dangers of industrial pollution. The facility is having excellent infrastructural facilities like roads, streetlights, under ground drainage system to suit the current environment conservation policies of the state.

Besides well equipped manufacturing areas, other support facilities include, RM / PM Stores, Finished Goods Warehouses, Cafeteria, Change rooms etc. We have also created an isolated manufacturing facility with Low Temperature & Low Humidity control conditions suitable for manufacturing products like Effervescent

Tablets/Granules, Enzymes based products, Herbal products at this site, which involve specialized, customized mfg processed and technology.

Major Categories of products manufactured at Kandla Plant:

<b>Delivery Type</b>	<b>Product Name</b>	<b>Market</b>
Effervescent Tablets	Aciran, C-Max, Fastorik Plus, Nimez, Plestal, Relievo Effertabs Hangoverz, Rofelib	Exports
Capsules	Mountain Herbz	Exports
Granules	Dilaxo, Mountain Herbz Ezy Bowlez	Exports
Tablets /Lozenges	Andropower, Diabaid, Esgipity, Gynopower, Kolez, Memorite, Proliv, Therasil Sore Throat	Exports

Today, Kandla unit is upgraded with consolidated systems, state-of-the-art manufacturing equipments and latest analytical instruments, to meet the latest International Regulatory requirements and to handle high volume, multi-products manufacturing under the most cost-effective conditions, in smooth and rhythmic manner and to deliver the desired quality batch-to-batch in each unit produced.

**Utilities at Kandla Plant:**

- **Power:**

Connected Load : 75 HP and DG Set : 250 KVA

- **HS Diesel :**

The plant also requires HS Diesel which is about 500 liters per month and the storage capacity is 1000 liters per month.

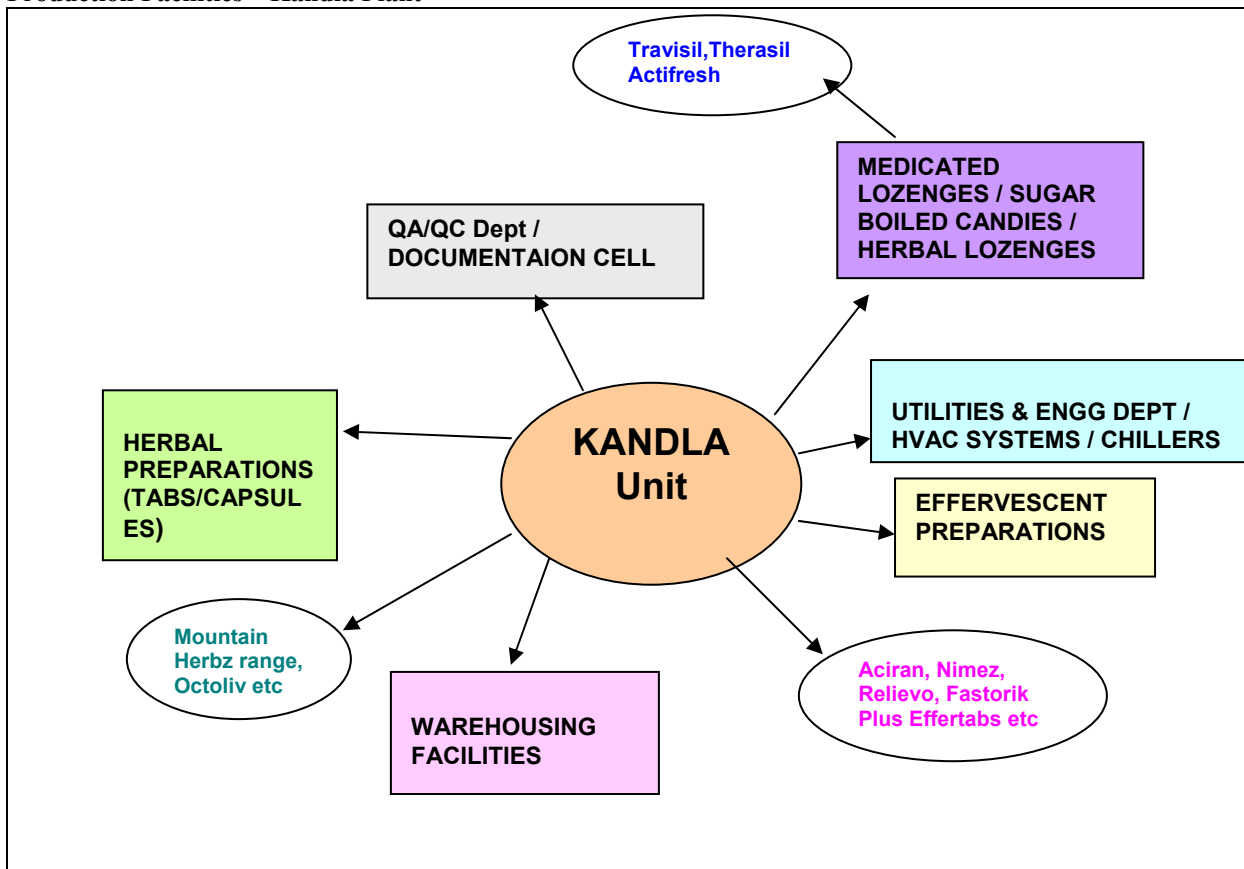
- **Water**

The plant also requires raw water of about 20000 Ltrs. per day which is procured from out side sources and DM Water of 400 Ltrs. per day which his generated from own DM Water Plant having capacity of 500 Ltrs. per day.

- **Compressed Air:**

The compressed air is generated by using Chicago Pneumatic Make Non Lubricated, Reciprocating Compressors. The generated air is further passed through the refrigerated air dryers and set of pre and fine filters of 0.2 Micron Rating. completely oil & moisture free compressed air is further distributed to the various users point through the SS Piping. The user's points or machine connections are finally provided with the 0.2 Micron Rating Cartridge Filters. Proper care has been taken to maintain quality of the compressed air required as per the pharma specifications.

**Production Facilities – Kandla Plant**



**Brief description of production / manufacturing operations:**

Status labeling properly identifies all materials, which are approved by QC for production purpose and such materials are only issued for production after dispensing. At every stage of manufacturing, the Quality Control Department follows approved and validated methods, which adhere to current cGMP norms as per schedule “M” and Schedule “Y” for Ayurvedic products. The units have all required QC testing facility for the above products range and we are further planning to upgrade it further, in view of our planning to introduce new herbal products range in our product portfolio and keeping in focus, changed drug regulations in India for such products in the recent past.

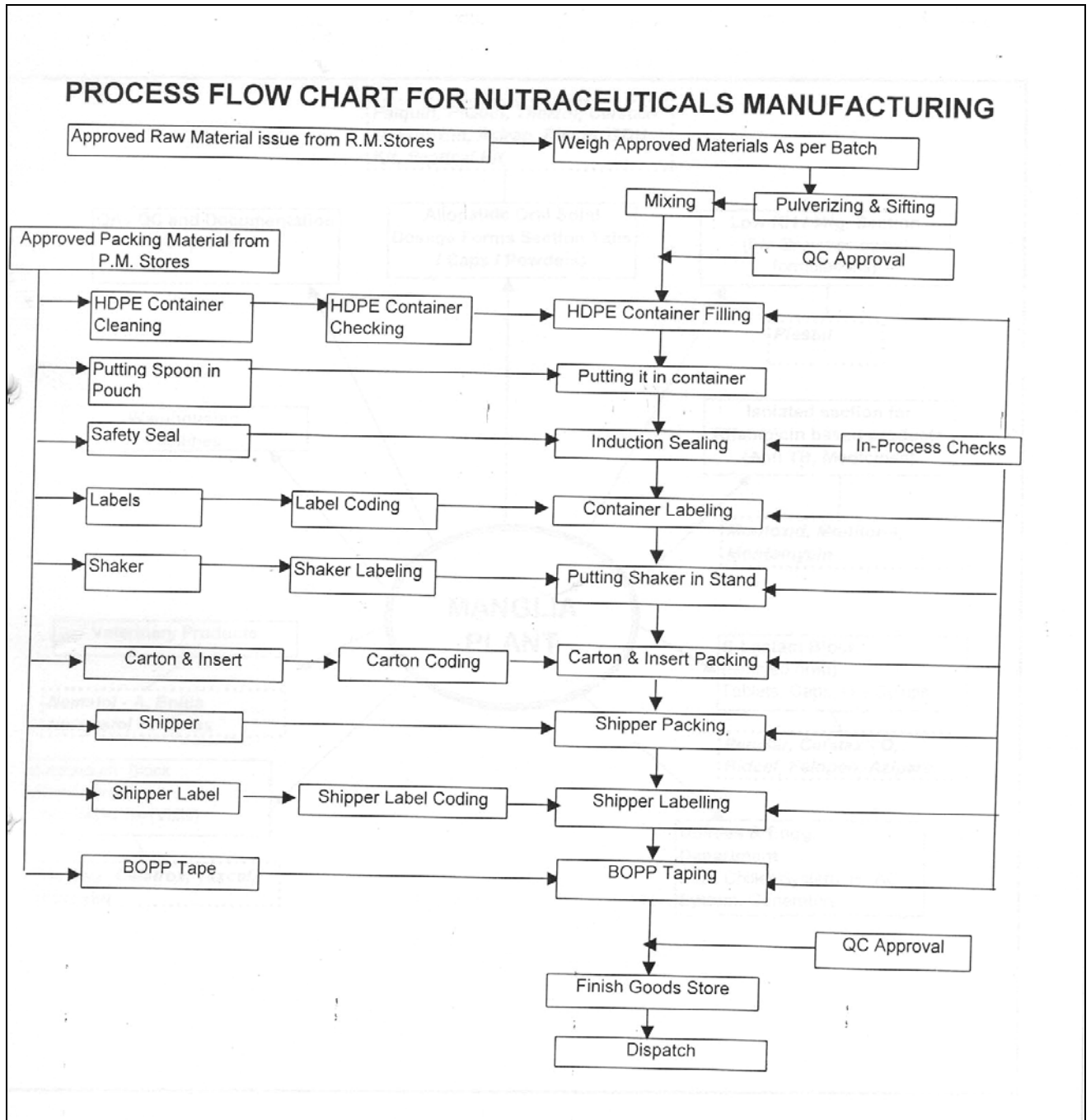
All production operations are carried out under the supervision of qualified and experienced technical staff. All manufacturing process are clearly defined and regularly reviewed. All critical manufacturing processes are validated. All activities are clearly defined in the form of SOPs. All manufacturing and quality management people are regularly trained to update their knowledge and skills. The bulk pharmaceuticals are analyzed by the QC Department and released for packaging. All the primary, secondary and tertiary packaging materials are also tested and released by QC for use in packaging operations.

Before starting the packaging line the lines are cleared for absence of earlier process materials and then allowed to start the new product / batch. During packaging operation also we have institute an in-process control check, which are performed and recorded during the packaging operation. The packed finished goods are evaluated and then released for final marketing and distribution. Till such release is received, the packed goods remain under quarantine and do not leave the factory premises.

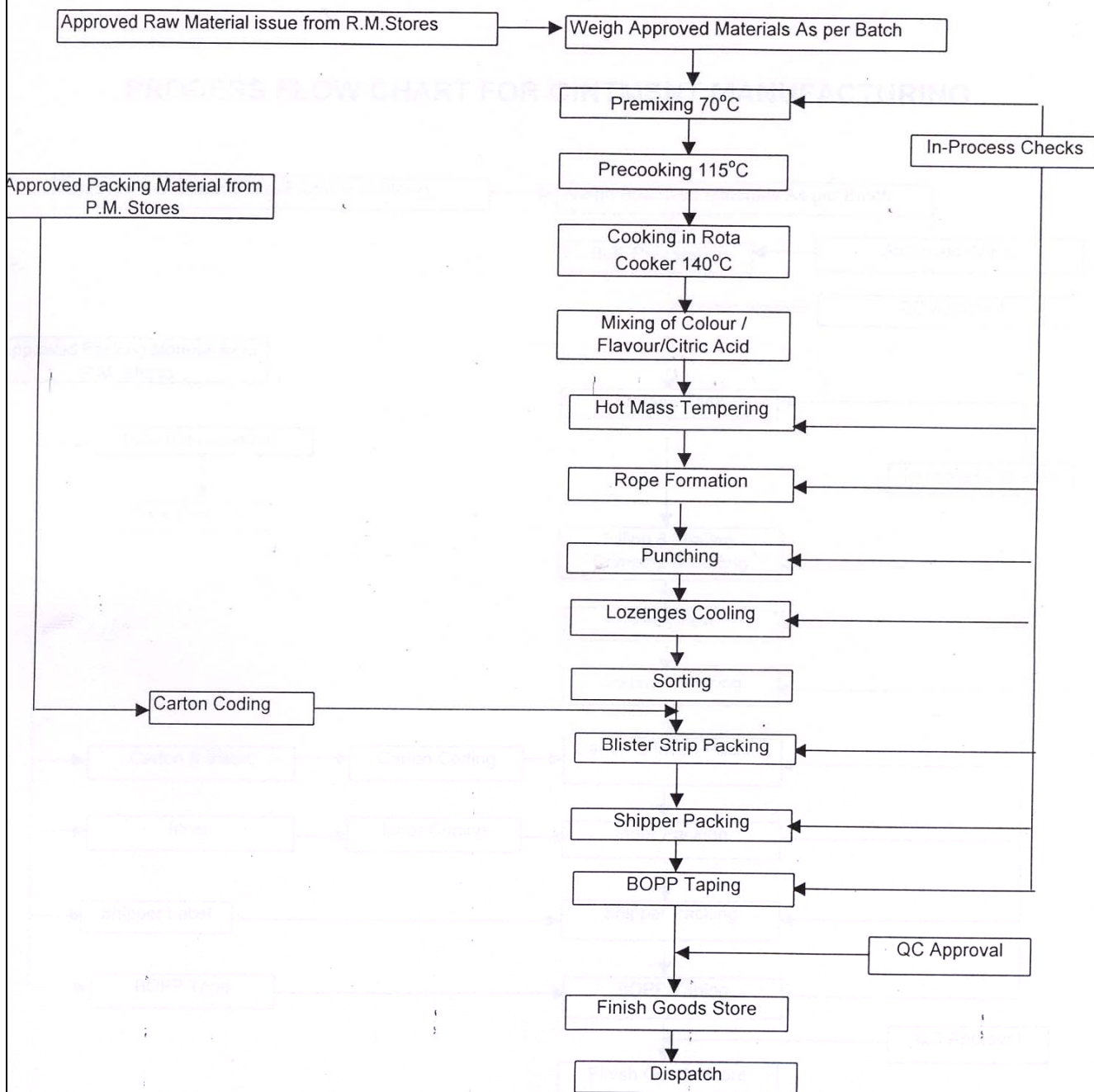
Quality Assurance Team regularly performs Quality Audits to check the judicious implementation of the SOPs laid down by the production & allied departments, which indirectly transcribes into High Quality Standards of the final

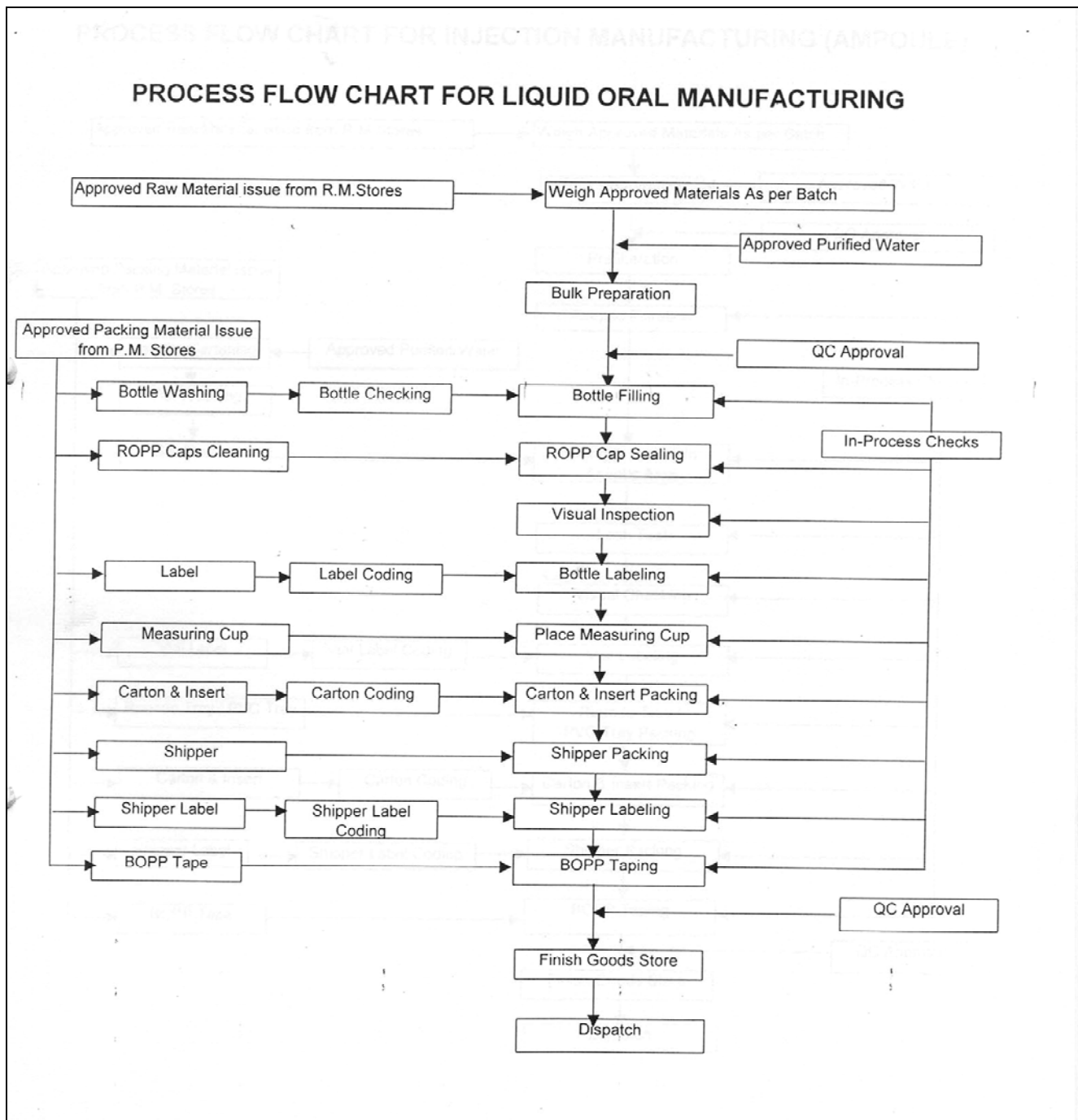
product. We not only believe in checking our products for Quality, but also strive hard to “*In-Build the Quality*” into them, so that our sales force can project the same at the market place and thrive to outperform the competitors.

**Manufacturing Process Charts:**

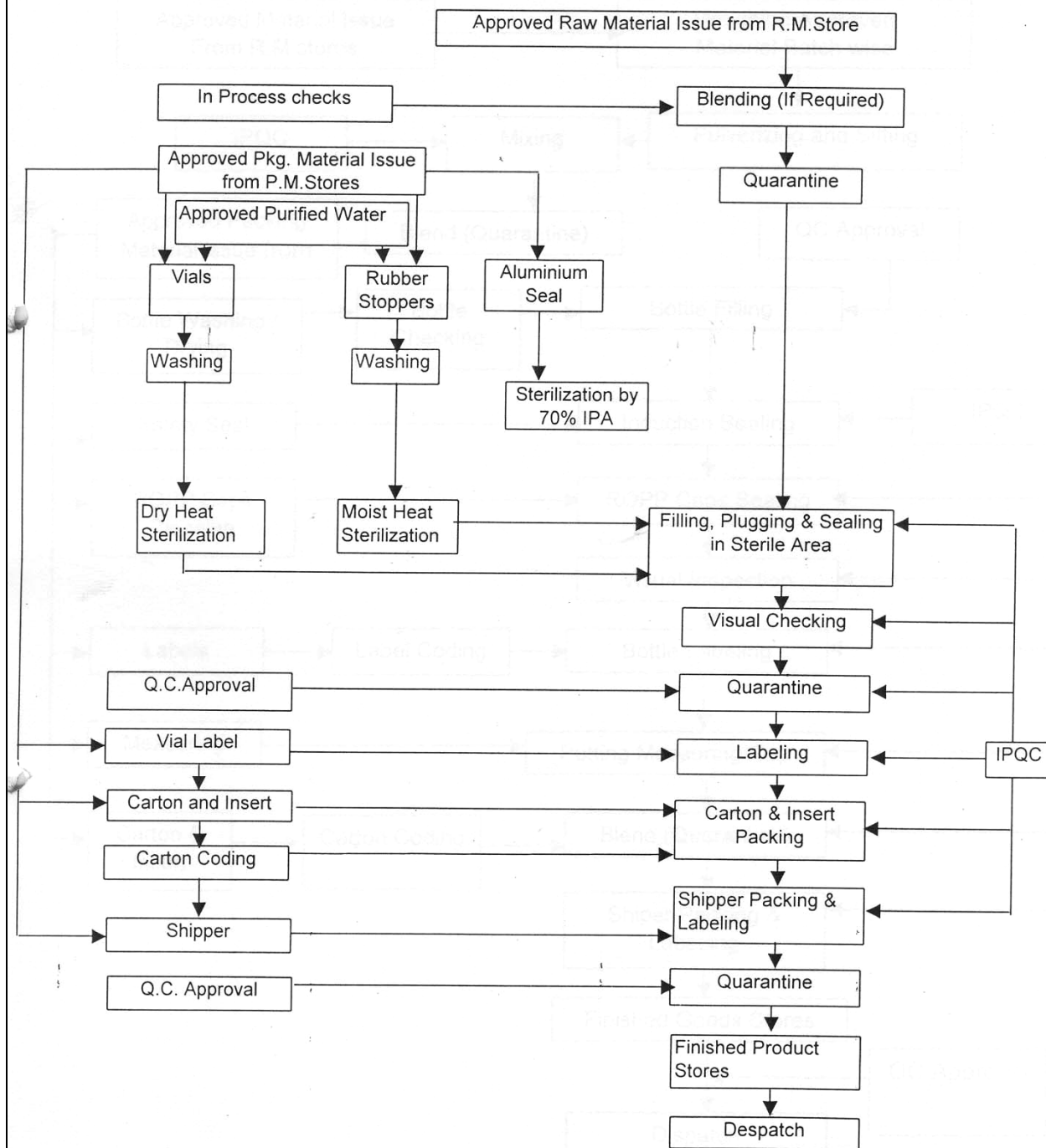


## PROCESS FLOW CHART FOR LOZENGES MANUFACTURING





## PROCESS FLOW CHART FOR DRY INJECTION (VIALS)



## Raw Materials

The basic raw material required to manufacture formulation is basic drug / bulk drug comprising of both active and non-active ingredients. The active raw materials are required in bulk quantities whereas non-active (diluent / excipients) are required in small quantities. We are having a system of vendors' approval for procurement of raw materials and all the raw material items are purchased only from such approved vendors. At least three vendors of repute are approved for each and every Raw Material items so as to ensure timely supplies. The company follows Standard Operating Procedure (SOP's) for receipt, sampling and inward of raw material ingredients whether active or non-active. The raw materials items are procured from time to time as per the production planning. All the raw materials items are available in India in abundance.

The *major herbal raw materials* are Adhatoda Vasica (Adusa), Piper Longum (Pipal), Zingiber officinale (Sonth), Glycyrrhiza glabra (Licorice, Mulethi), Curcuma Longa, Ocimum sanctum (Tulsi), Commiphora Mukul (Guggul), Allium sativum (Garlic), Tinospora cordifolia, Emblica (Ashwagandha), Isapgula husk (Isapgol), Croton tiglium (Jaiphal), Convolvulus pluricaulis (Shankhapushpi) and Saraca Indica (Ashoka)

The *major pharmaceutical raw materials* are Amoxicillin Trihydrate Compacted, Ceftriaxone Sodium Sterial, Cefuroxime Sodium Sterial, Pyrazinamide BP, Rifampicin, Isoniazide, Ethambutol, Artesunate, Nifedipine, Atenolol, Whey Protein 70%, Creatinine Mono Hydrate and Ranitidine.

However, no long-term contract has been entered into with any of the suppliers to enable better negotiation. The normal lead-time is as under:

Local Raw Materials : 15 – 30 Days

Empty Gelatin Capsules: 30 – 45 Days

Import Raw Materials : 30 – 60 Days

In view of good reputation enjoyed by the company in the market, the raw material items are available at the most competitive rates. The suppliers are established parties having long term relationship with the company. Most of the purchases are on clean credit basis from 90 – 120 days without any L/C. There is no supply bottleneck for raw material items.

## Packing Materials

In pharmaceutical industry the packing material is also a major component of cost of production. The basic packing material includes glass bottle, pet bottles, glass vials, glass ampoules, PVC Foils, PVDC Foil, Aluminium Foils, Rubber Stopper, PP Caps, Plastic Jars, Measuring Cups, Pet Granules, Printed labels, Printed Cartons, Corrugated Boxes, Plastic Strips, Shrink Film. Most of the packing materials are purchased directly from the manufacturers of repute. Similar quality norms as are followed for the raw materials are followed for the purchase of packing materials.

## Product Profile

We have chosen the path of being a multi-product company, with a large global presence and have the following product range:

- Herbal and Allopathic Formulations
- Consumer Healthcare Products & Nutraceuticals
- Food Supplements
- Disposables & Hospitals Consumables
- Veterinary Products

## 1. Formulations

We have over 400 different formulations in more than 39 therapeutic segments. The product portfolio comprises of segments like the Cough and Cold, anti-infectives, Anti-inflammatory / analgesics / Antispasmodics, Gastrointestinals, Cardiovasculars, AntiTB, Anti malarials, Oral Contraceptives & Nutritional supplements. We were amongst the first to launch products like doxycycline and co-trimoxazole in the Indian market. We have been one of the pioneers in the Anti-malarial and Anti-TB segment and are considered to be a quality supplier of these products in the African and the Asian markets.

### Major Range

<b>Fastorik Range</b>	A range of products in the Cold and Flu segment. (Consists of Fastorik Plus Tablets / Syrups, Fastorik Granules and also Fastorik N & S nasal drops)
<b>Travisil Range</b>	A range of herbal products in the Cough and Sore Throat category. (Consists of Cough drops and syrups for Cough and Sore Throat. Travisil also offers different flavours to suit varied taste lozenges).
<b>Effertabs Range</b>	A range of effervescent products, in pain, fever, cold, indigestion and nutrition category. (C-MAX, Plestal Effertabs, Relievo Effertabs, Fastorik Plus Effertabs etc.)
<b>Oral &amp; Injectable Anti-infectives Range</b>	A range of anti-infectives including, Beta-lactum, antibiotics, Cephalosporins, Macrolides, Aminoglycosides, Quinolones to name a few (Nirocef (Cefdinir capsules & Dry syrup), Zarquin (Gatifloxacin Tablets/ IV), Tarcef (Fectazidime Injections), Azipar (Azithromycin Tablets and Dry Syrup), Penclav (Amoxycillin & Clavulanic Acid Tablets & Dry Syrup).
<b>Antiretroviral Range</b>	Zidovudine Tablets, zidovudine Oral Solutions, Lamivudine Tablets, Lamivudine Oral Solution, zidovudine and lamivudine tablets, Stavudine Capsules, Nevirapine tablets, Indinavir Capsules, Nelfinavir tablets Efavirenz Capsules -WHO 15 <sup>th</sup> model list of essential medicines (Revised April 2003) We also offer comprehensive range of antiretroviral drugs to combat major threat of HIV / Aids infection in India and also in various global markets. We have developed different call of ARV drugs from formulations NRTI Class (Lamivudine, Stavudine, Zidovudine) NNRTI Class (Efavirenz, nevirapine) and Protease Inhibitor class (Indinavir, Nelfinavir etc.)
<b>Anti TB Products Range</b>	A complete range of single ingredient and multi ingredient packs, combipacks and fixed dose combinations, based on the latest WHO guidelines. (Montomycin, E-TOL, Montozin, Monitor-4, Montozid EP 3, Ethizide – P)
<b>Anti Malarials Range</b>	A complete range of products, starting from the first line products like Chloroquine to latest molecules like Artesunate, Artemether, Arteether. Anti Malarial range released in line with the latest guidelines of WHO, vide its “Roll Back Malaria” programme, we are also offering various malaria treatment –Patient compliance co-packaged kits like artemal – SA Kit (Artesunate_ Amodiquine),. Artedar 50 / 100 Kit (Artesunate + Sulphadoxine – Pyrimethamine).
<b>Relievo Range</b>	A range of products in the Pain category (Relievo, Relievo Pain Plus, Relievo Dental, Relievo Act rub and Relievo Effertabs)

<b>Gastrointestinal range</b>	Includes Antiulcerants, antiemetics, Antacids, Antidiarrhoeals, Laxatives, Enzyme preparations, antispasmodics & H.Pylori Kit. GDU Kit (H Pylori Kit), Rabegard (Rabeprazole), Coolz Tablets / Syrup (Antacid)
<b>Cardiovascular Segment</b>	Amlodipine, Lisinopril, Atorvastatin, Losartan Potassium, Ramipril, Diltiazem, Atenolol and their combinations (Amod, ramod, Arvaz)
<b>Elle Eva</b>	A range of products for women are Elle' Eva 28 Days – Oral contraceptive Pills, Elle Eva EC 72 – an emergency contraceptive pill
<b>Generic Products</b>	A range of generics, in various pack sizes and specifications to meet the requirements of its different customers.

## 2. Consumer Healthcare Products & Nutraceuticals

Direct to Consumer selling or the category of fast moving consumer healthcare goods, offers immense potential both in the Indian market, as well as the global markets. We have introduced a number of products in this segment, consisting of herbal supplements, nutraceuticals, lozenges, effervescent products, medicated candies, powders, in segments like sports nutrition, pain management, oral hygiene, digestive care, foot care and nutrition. Many of the pharmaceutical products are being sold as OTC products in several of our major markets. Our equity is so strong that all CPD products sales in Indian Territory are against advance payment only.

### Major Range

#### Coach's Formula

A range of sports nutrition products launched in India. COACH'S FORMULA aims at bringing high value sports supplements for Bodybuilders, Sportspersons and Fitness Enthusiasts. Currently the COACH'S FORMULA products are available in India, CIS, Sri Lanka & some of the African countries.

Currently the range of Coach's Formula Covers:

- SUPER PROTEIN – Performance Training Formula
- CREATINE – Power Training Formula
- WEIGHT GAINER – Advanced Weight Gaining Formula (2:1 Carb to Protein Ratio)
- MUSCLE MASS – Advanced Muscle Mass Gaining Formula
- X-TRIM CUTS – Fat Loss Formula for men (Thermogenic)
- TONE & TIGHTEN – Fat Loss Formula for Women (Thermogenic)
- GLUTAMINE – Advanced muscle support formula
- ENERGIZER – Glucose D with electrolytes (Orange Flavour)
- BCAA PLUS – Essential Branch-chained aminos & Co-factors
- AMINO POWER – Advanced Anabolic Bodybuilding Formula

#### Others (General)

- Actifresh: Mouth Freshener
- Plethico's Myntz – Mint candies
- Red Horse – Herbal Aphrodisiac

### 3. Food Supplements and Herbal formulations

We offer a range of clinically proven herbal medicines and supplements, from the purest form of scientifically validated herbal extracts, supported by a team of dedicated scientists at our Herbal Drug Research (HDR) units, who use the most modern techniques in developing, standardization, testing and clinical evaluation of the herbal products for both therapeutic and cosmetic use.

The range consists of several products launched both in the international, as well as the domestic market, catering to a host of ailments. The first herbal product to be launched by us was Syndrex, a unique herbal preparation, formulated for Syndrome X, a complex syndrome characterized by insolent resistance, obesity, hypertension and dyslipidaemia. The herbal range consists of Travisil, a product for conditions of cough and cold. (Travisil Syrup, Travisil Lozenges, Travisil Cold Rub, Travisil Sugar Free Syrup, Travisil Inhaler, Travisil Drops) Relievo Actirub: Herbal Muscle Rub Octoliv: a proven hepatoprotective.

#### Major Range

##### Mountain Herbz

A range of herbal medicines and supplements to cater to various life style related disorders and for general health and vitality.

The range consists of:

- Kolez / Kolestat : Support formula for high blood cholesterol
- Proliv / Reliv : Support formula for liver
- Ruthex / Rhumax : The joint and musculoskeletal pain reliever
- Gynopower / Gynosil : Support formula for Vigour & Vitality for women
- Andropower / Androsil : Support formula for Vigour & Vitality for men
- Diab-aid / Diabocare : The Time-tested Blood Sugar Regulator
- Dilaxo / Laxodil : Support formula for Digestion
- Memorite / Memorite Plus : Support formula for Memory
- ESGPT / Optiliv : Support formula for SGPT / SGOT
- Ezy Bowelz : Support formula for regular bowel habits
- Coolz Herbal : Support formula for hyperacidity
- Sleep Ezy : Herbal Non-habit forming tranquilizer.

### 4. Disposables & Hospital Consumables

We have strategic tie ups and licensing arrangements for manufacture and supply of Disposables and Hospital consumables, which includes products like Sutures, Diagnostic kits, Preservatives, Surgical disposables & hospital consumables.

#### Major Range

##### Diagnoz

A range of reliable independent and dependent diagnostic kits.

##### Independent diagnostic Kits :

- Nancy's Kit : Pregnancy detection kit
- Uristrip : For complete urine testing, of glucose, albumin, ketons and pH.

##### Dependent diagnostic Kits :

- PF – PV Kit : Instant Plasmodium falciparum and Plasmodium Vivax.
- HIV Kit : Instant detection of HIV in human blood, serum or plasma.

HB Kit : Instant detection of Hepatitis B virus in human serum or plasma  
KOCH'S Kit : Instant tuberculosis antibodies detection in human blood, serum or plasma.  
TYPHI TEST Kit: An instant Salmonella antibodies detection test kit  
SYPHI TEST Kit: Detection of Syphilitic antibodies  
Sutures : A range of absorbable and non-absorbable sutures  
2 to Tango : A range of premium condoms sold in various flavour.

## 5. Veterinary Products

We have recently ventured into manufacturing and marketing of advanced medications for animal healthcare to make sure that friendship between man and animals does not have to end in health problems. Today the mankind's dependence on animals has increased from just providing daily fat requirement to the major food component. Recently awareness of mad-cow disease and bird flu has increased the foray of pharmaceutical companies to venture into animal care opportunities. We have followed this trend. Our prime focus is the protection of animals with modern products, which ensure rapid, safe and efficient therapy for diseases and contribute to the production of high quality food for humans. The company's animal health specialists are currently researching and developing new drugs to treat infectious diseases, age-related disorders, pain and nutritional supplements for dairy and poultry. The segment of animal health products is untapped especially in third world countries hence offers a wide business opportunity for us. Various markets in this region have accepted our products and we are enhancing our portfolio of these products day by day.

## Competition

- Domestic/ Contract Manufacturing & Toll Manufacturing
- Any Pharmaceutical formulation manufacturer having spare capacity & complying with *Schedule M* of Drugs and Cosmetics Act, 1940 is a potential competitor.
- OTC/ Sports nutrition/ Nutriscience/ Consumer Product Division
  - Himalaya Drugs
  - Dabur India
  - Paras
  - Wockhardt Consumer Product Division
  - Unorganised sector
- Exports (Semi/ Unregulated market)
  - JB Chemicals for Herbal formulations
  - German Companies for Herbal formulation
  - UPSA *Laboratoires (France)* for Effervescent Tablets
  - Charak Pharma (Pvt) Ltd for Herbal formulations
  - All major Indian Companies & MNC's for Allopathic formulations

## Marketing

### *Domestic*

We are marketing wide range of consumer products and pharma OTC in the domestic market including Food Supplements, Nutraceuticals, Medicated Candies, Herbal & Ayurvedic Preparations. In order to secure healthy growth, we have employed distinguished and well-qualified personnel having vast experience of consumer products and pharma OTC. The marketing of consumer / pharma OTC products is altogether different from the marketing of ethical branded medicines. The demand of such consumer products is created through advertisement at large scale after the product has been able to demonstrate proper distribution and acceptability. However, field personnel are required to monitor stockists operations. The Company has employed/ engaged a team of around 85 field personnel of different cadre scattered through out the country to control the marketing operations.

For efficient distribution of consumer / OTC products, Company has established a very strong distribution network of consignment agents / super stockists etc. The company has appointed consignment agents as well as stockists (around 20) in different states who are in turn catering to the demand of retailers which are more than 5000 in numbers scattered throughout the country.

### **International**

We are exporting to more than 45 countries, with strategic tie up's and a strong marketing and global distribution network in the CIS, the African Continent, Latin American Countries, Middle East and the South East Asia. We have taken major stake in a marketing and distribution (M&D) chain in the CIS, with a well-coordinated network in Russia, Kazakhstan, Moldova, Kyrgyzstan, Ukraine and Azerbaijan. With extensive distribution and marketing network, we have established ourself as a dominant player in these regions. We have also chalked out an ambitious plan for marketing in East Europe, GCC & South East Asian Countries.

Fully owned subsidiaries, joint ventures acquisitions and our own distribution networks will give us the necessary muscle and the ability, to compete in other tough global markets.

### **Export Obligations**

<b>DETAILS OF PENDING EPCG LICENCES AND STATUS OF PENDING EXPORT OBLIGATION</b>							
							(Rs. in lacs)
<b>Licence No.</b>	<b>Date</b>	<b>Export Obligation</b>	<b>EO Completed</b>	<b>% of Completed</b>	<b>EO Uncompleted</b>	<b>% Uncompleted</b>	<b>Yr.for Completion</b>
113000039/2/11/00	dt.10/08/2001	1,084.16	704.70	65%	379.45	35%	Up to 2009
113000056/2/11/00	dt.13/02/2002	1,498.15	674.17	45%	823.98	55%	5% up to 2008 & 50% up to 2010
1130000160/2/11/00	dt.09/09/2003	118.02	49.57	42%	68.45	58%	8% up to 2009 & 50% up to 2011
1130000285/2/11/00	dt.14/07/2004	76.40	0.00	0	76.40	100%	15% up to 2008, 35% up to 2010 & 50% up to 2012
1130000309/2/11/00	dt.18/08/2004	1.86	0.00	0	1.86	100%	15% up to 2008, 35% up to 2010 & 50% up to 2012
<b>Total</b>		<b>2,778.59</b>	<b>1,428.44</b>		<b>1,350.15</b>		

### **Collaborations**

We have not entered into any collaborations, any performance guarantee or assistance in marketing by the collaborators

## Our Strategy

Our vision is to be a global healthcare company by the year 2010, offering products of highest quality, backed by state of the art manufacturing and R & D facilities, to have a strong presence in the area of consumer healthcare business and nutraceuticals, both in the domestic as well as the international market.

In this direction we have invested heavily on building up capacities and the coming times will bear testimony to this investment. We have also not stopped short only on capacities, in fact we have entered into backward integration on two different platforms. One being the sophisticated state of the art “Klockner Hansell GMBH” Machine for manufacturing world class lozenges and the other being the “Aoki Japan” machine for making PET bottles. For both these investements the foresight was based on the tremendous response that we received for our products overseas viz, Travisil Lozenges & the Travisil Syrup. We intend to use the Lozenge making machine to greater advantages like entering the confectionery market to set up a distribution channel which will give us the reach to cover the length & breadth of India and also for certain advanced formulation development projects like centre filled sugar free lozenge containing Vitamin supplements at the centre for the diabetic patient in high precision dose and also a Lozenge which will provide relief to cancer patients undergoing traumatic experience after undergoing radio & chemo therapy.

We have invested in future growth by building a two pronged investment footprint. One, “*Organic growth footprint*” - build robust facilities which will comply to world standards and Two, “*Inorganic Growth footprint*” - Invest strategically into strong setup’s either a Marketing & Distribution outfit (called M&D Strategy) or a “Manufacturing cum M&D” outfit (Called MM&D Strategy).

We have traditionally ventured into any export market on the following foot print:

- Identification of Market
- Personal visit by the CEO to get a first hand assessment of the situation.
- Identification of correct partner to begin with – Start Seed Marketing.
- Assess the SWOT of the Country especially with reference to Foreign Exchange regulations. → CRITICAL
- If above found favourable → build on relation by creating jointly a M&D structure. → MILESTONE 1
- Develop neighbouring markets by using base for servicing local needs.
- If key parameters satisfied based on internal assessment & monitoring of data, Country, Partner → Move to MM&D Structure. → MILESTONE 2

The above path of MM&D has already been attained as far as Kenya is concerned, where the plant has been put up. Once the plant is commissioned, it will cater to the COMESA. The path of M&D has already been achieved in CIS (6 countries) and SEA (1 Country). In all the other countries (including other CIS Countries) we have still not reached milestone 1 as stated above. It is still operating through distributors in these countries either due to volume not having reached benchmark levels or due to stability of country in terms of foreign exchange being on “watch” mode.

In case of M&D, we believe that, with our strength of churning out any product demanded by the market due to our existing capability of manufacturing all kinds of formulations, coupled with strong New Product Development (NPD) team and marketing team leaves the scope of purely distributing and effective selling to the M&D structure.

The domestic market is a different vision all together. The focus currently is on OTC segments. We have already taken up a strategy of strengthening the field force and distribution network. It is expected that the sales force would grow from existing strength of approximate 100 to a sizable 500 over the next 2 years (including ISR’s). Entry back in to domestic ethical segment is also being closely considered post culmination of non compete clause with M/s. Shreya Life Sceinces (P) Ltd in November 2008. This time the entry would be into niche areas and the precise timings and exact strategy would be based on the status & demand of the ethical segment then.

Entry into regulated markets with herbal products requires augmenting the quality of herbal remedies vis a vis; herbal remedies exported to Non Regulated Countries. As a step in this direction, we have decided to undertake Organic Farming. In this area, the Governments of various states have afforded attractive schemes apart from it’s

thrust on Ayurvedic Exports. We have shortlisted Jammu as our target area. The basics are that a crop from a single field would tend to deliver a more standardized quality & efficacy, so important to the standardization of quality norms for the regulated market. This in turn helps us to undertake fingerprinting technology on the quality parameter analysis on the efficacy of these herbs which form an important part of the remedy. This however, in no way diminishes the sourcing of herbs from other areas. In the future we intend to enter into long term contract farming agreement with farmer in various pockets of India so that in no way can the supply of herbs be a limiting factor for growth in to regulated markets.

We have an existing system of purchase of herbs whereby no single source is tapped and multi point sourcing is always encouraged based on price, demand & supply position. The basic differences identified are in potency of the herbs based on soil & climatic conditions. However, with a strong Ayurvedic F&D department working in close coordination with Ayurvedic QA team have ensured that multipoint sourcing is never a show stopper.

## SWOT Analysis

### Strengths

- Non infringing model of Business
- State of art manufacturing units in Indore possessing capability of manufacturing all possible dosage forms.
- Strong formulation development technique including NDDS like effervescent tablets.
- Strong M&D tie up in Russia, CIS & Cambodia
- Strong management team and motivated workforce
- Foray into Backward Integration for cultivating essential critical herbs for captive consumption thus enabling high end finger printing technology for herbal formulations
- Strong system oriented company
- Product list exceeding 400, transcending more than 39 therapeutic categories exporting to more than 45 countries across the globe
- Consistently growing PAT margins at CAGR of 29.72 % over the past 5 Years.

### Weaknesses

- Currently present in semi/ unregulated markets, which though have trade barriers by way of product Registration, quality monitoring; however, the barrier is not unsurmountable.
- Plants are not approved by UKMHRA.
- Lack of availability of domestic ethical business curbs the wings of growth.

### Opportunities

- Large number of drugs going off-patent in Europe and in the US from 2005 to 2009 offers a big opportunity for the Indian companies to capture this market. Since generic drugs are commodities by nature, Indian products have the competitive advantage, as they are the lowest cost producers of drugs in the world. We have the strength to manufacture this once the approvals are in place.
- Being the lowest cost producer combined with FDA approved plants, Indian companies can become a global outsourcing hub for pharmaceutical products
- India with a population of over a billion is a largely untapped market. To put things in perspective, per capital expenditure on health care in India is US\$93 while the same for countries like Brazil is US\$453 and Malaysia US\$189
- The growth of middle class in the country has resulted in fast changing lifestyles in urban and to some extent rural centers. This opens a huge market for lifestyle drugs, which has a very low contribution in the Indian markets.
- Indian Pharmaceutical industry possesses excellent chemistry and process reengineering skills. This adds to the competitive advantage of the Indian companies. The strength in chemistry skill helps Indian Companies to develop processes, which are cost effective.

### Threats

- Competition from countries that offer low cost manufacturing such as China, Korea and Taiwan.
- Due to very low barriers to entry, Indian pharma industry is highly fragmented with about 300 large manufacturing units and about 18,000 small units spread across the country. This makes Indian Pharma market increasingly competitive
- Reducing tariff levels and dumping can be a threat to survival of products and industry.

### Insurance

SL.No.	Nature of Policy, Policy No. & Period	Location	Sum Insured (Rs. In lacs)
1.	Standard Fire & Special Perils Insurance Policy for Stocks including Stocks in process Policies No.450700/11/05/00243 & 00244 of M/s.The New India Assurance Co.Ltd.,D.O.1, M.G.Road, Indore (M.P.) (Period 01.07.2005 to30.06.2006)	A.B.Road, Manglia 37/37A, Pologround, Indore 38, Pologround, Indore 39, Pologround, Indore A.B.Road, Manglia (Shivata Bldg.)	1100.00 125.00 30.00 25.00 100.00
		<b>Total</b>	<b>1380.00</b>
2.	Standard Fire & Special Perils Insurance Policy for Stocks including Stocks in process Policy No.190302/11/05/00355 of M/s.United India Insurance Co.Ltd.,104-105, Rajani Bhavan, 569, M.G.Road, Indore (M.P.) (Period 01.07.2005 to30.06.2006)	Kandla Special Economic Zone, Gandhidham, Kachchh (Gujrat)	160.00
		<b>Total</b>	<b>160.00</b>
3.	Standard Fire & Special Perils Insurance Policy for our factory situated at Village-Dharavara, Post-Kalaria, Depalpur Tehsil, Indore-Dhar Road, Indore Policy No.151111/2006/67 (Period 01.07.2005 to30.06.2006) of M/s.Oriental Insurance Co.Ltd.,3, Indrapuri Colony, A.B.Road, Indore (M.P.)	Factory Building Plant & Machinery,Packing M/c,Utilities, lectricalEquipments & Installation etc. Furniture & Fixtures Laboratory Equipments Stocks & Stocks in process	2300.00 3500.00 45.00 80.00 1000.00
		<b>Total</b>	<b>6925.00</b>
4.	Standard Fire & Special Perils Insurance Policy for our factory situated at A.B. Road, Manglia-453 771 Indore (M.P.) Policy No.321102/11/05/3400000151 (Period 03.12.2005 to02.12.2006) of M/s.National Insurance Co.Ltd., Branch-IV, Swastik Chambers, 9-C, Manoramaganj, A.B. Road, Indore (M.P.)	Factory Building Plant & Machinery, Packing M/c, Utilities, Electrical Equipments & Installation etc. Furniture & Fixtures Laboratory Equipments	1000.00 2100.00 175.00 75.00
		<b>Total</b>	<b>3350.00</b>
5.	Standard Fire & Special Perils Insurance Policy for our Kandla Plant Policy No.190302/11/05/00354 (Period 01.07.2005 to30.06.2006) with	Building Plant & Machinery Furniture & Fixture and Office equipments etc.	30.00 40.00 2.00

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	M/s. United India Insurance Co.Ltd.,104-105, Rajani Bhavan 569, M.G.Road, Indore		
		<b>Total</b>	<b>72.00</b>
6.	Standard Fire and Special Perils Insurance Policy of M/s.Plethico Laboratories Pvt.Ltd.,38, Industrial Estate, Pologround, Indore Policy No 151111/2006/77 (Period 01.07.2005to 30.06.2006) with M/s.Oriental Insurance Co.Ltd.,3, Indrapuri Colony, A.B. Road, Indore	Building Plant and Machinery	60.00 20.00
		<b>Total</b>	<b>80.00</b>
7.	Standard Fire and Special Perils Insurance Policy of M/s.Plazma Laboratories P.Ltd.,37, Industrial Estate, Pologround, IndorePolicy No.321102/11/05/3100000116 (Period 01.10.2005 to30.09.2006) with M/s.National Insurance Co.Ltd.,CBO No.4, Swastik Chamber, 9-C, Manoramaganj, A.B. Road, Indore(M.P.)	Building Plant and Machinery Furniturej & Fixture and Office equipments etc. Laboratory equipments	20.00 10.00 10.00 2.00
		<b>Total</b>	<b>42.00</b>
8.	Standard Fire and Special Perils Insurance Policy of M/s.Plethico Products, 39, Industrial Estate, Pologround, Indore Policy No.151111/2006/34 (Period 03.05.2005 to02.05.2006) with M/s.Oriental Insurance Co.Ltd.,3, Indrapuri Colony, A.B.Road, Indore	Building Furniture & Fixtures Plant & Machinery	22.50 2.50 15.00
		<b>Total</b>	<b>40.00</b>
9.	Standard Fire and Special Perils Insurance Policy situated at A.B. Road, Manglia(Shivata Bldg.,) Policy No.151111/2006/78 (Period01.07.2005to 3 0.06.2006) with M/s.Oriental Insurance Co.Ltd.,3, Indrapuri Colony, A.B.Road, Indore	Building	30.00
		<b>Total</b>	<b>30.00</b>
10.	Marine Insurance Policy for export of M/s.Plethico Pharmaceuticals Ltd.,Indore Open Policy No.4507000500003/2005 (Period 24.06.2005 to23.06.2006) with M/s.The New India Assurance Co. Ltd., D.O. 1, 9, M.G.Road, Indore-452001		
11.	Cash Insurance For Indore, Manglia and Dharawara Plant Policy No.151111/2006/261	Single Carrying limits	15.00

	(Period 01.07.2005 to 30.06.2006) with M/s.Oriental Insurance Co.Ltd.,3, Indrapuri Colony, A.B.Road, Indore		
		<b>Total</b>	<b>15.00</b>
12.	Group Gratuity Scheme for our 714 employees Policy No.GG (C.A.)/111210 (Period 28.03.04 to 27.03.05) With M/s.Life Insurance Corporation of India,9/1-A, South Tukoganj, U.V.House, First Floor,Indore	First time premium paid Renewed Current year premium paid	153.27 14.69

### Properties

Our manufacturing operations in Indore at our two plants located at Mangliya and Kalaria are carried out on properties owned by us. There are other plots owned by us in the vicinity of the plots where our factories are located. These plots are presently vacant but we intend to expand our facilities on these plots. Our properties in Indore, where the administrative offices are located (plots No. 37, 38 and 39, Pologround, Indore) have been leased from the District Industries Centre, Indore by our group entities, namely Plazma Laboratories Private Limited, Plethico Laboratories Private Limited and M/s. Plethico Products respectively. We have obtained these properties on a sub-lease basis with the written approval of the District Industries Centre, Indore and we pay rent regularly for these plots. We also own another property in Indore located at Vidyapathi Building, North Tukoganj, which is used as a Guest House. We own a property in Mumbai at Marol, Andheri East, which is used as a Guest House. We have also obtained a property on a leave and licence basis in property owned by Maharashtra Industrial Development Corporation at Marol, Andheri (East), where the marketing offices of the Company are located. We have some of the equipments which have been imported under the Export Promotion Capital Goods (EPCG) Scheme for the plant at Mangliya as well as the plant at Kalaria. We have also two constructed sheds on lease for our plant at Kandla.

Five of the vacant plots of land referred to above have been offered to the Court as security in connection with three legal cases faced by the Company. Plot No. 813/2/1 at Village Dharawara of 0.838 hectares has been offered as security to the District Court, Indore for an amount of Rs. 50,00,000 in the dispute with Miammi Pharma & Chemicals (P) Ltd. (Lakme Ltd.). Plot No. 364/1 at Village Dharawara of 0.729 hectares and Plot No. 823/6 at Village Dharawara of 0.821 hectares have been offered to the District Court, Indore as security in the ongoing dispute with M/s. Enterprises India. Plot No. 823/2 at Village Dharawara of 0.821 hectares and Plot No. 823/1 at Village Dharawara of 1.642 hectares have been offered to the District Court, Indore as security in the ongoing dispute with M/s. Uni Allied Pharmaceuticals. For details of the legal cases, please refer to the section on "Litigation" We have bought properties from the Promoters and the Promoter Group on June 02, 2004. Plot No. 255/1/2(K) at Manglia of 1.412 hectares has been acquired from Mr. Shashikant Patel, Promoter/Director. Plot No. 255/1/1 at Manglia of 1.412 hectares has been acquired from Ms. J. S. Patel. Plot No. 255/1/1(G) at Manglia of 0.470 hectares has been acquired from Messrs Dolstar Pharmaceuticals. Plot No. 255/1/1(K) at Manglia of 0.942 hectares has been acquired from Messrs Hari Om Industries.

### Purchase of property

The details of purchase of property for the proposed projects are mentioned in the section titled "Objects of the Issue" on page no. 26 of the Prospectus.

### Restrictive Covenants under our Loan Agreements

We have entered into agreements with Bank of Baroda, State Bank of Indore, GE Capital Services and IDBI Limited ("Banks") for short term loans and long term borrowings. These agreements contain certain restrictive covenants on certain activities, which require the prior written permission of the Bank in the event the Company is desirous of indulging in the said activities, such as the following:

- Not to incur capital expenditure for expansion/diversification/modernization.
- Not to allow promoters to disinvest/transfer their shareholdings.
- Not to effect any merger or acquisition.
- Not to pay any dividend otherwise than out of the current year's earnings after making due provisions.
- Not to create any charge on any or all of the assets or properties of the Company.
- Not to alter the Memorandum or Articles of the Company.
- Not to change or in any way alter the capital structure of the Company.

Further, the Working Capital Loan Agreement we have entered into with Bank of Baroda restricts us from opening a current account in any bank other than Bank of Baroda without its prior approval. The agreements with Bank of Baroda also state that they shall be appointed as the manager to any issue that the Company may undertake. The Company has also taken a loan from IDBI Bank Limited for financing the purchase of a residential property in Mumbai, which loan agreement also contain certain restrictive covenants.

### **Human Resources**

The pharmaceuticals industry is not so labour intensive in nature. Managing a team engaged doing largely repetitive work is one of the challenges that we face. Further, with competition from other companies in our type of business, retaining our workforce is another challenge that we face. Our human resource policies are targeted at creating a motivated work force. Our efforts in building a favorable work atmosphere have helped us in having lower attrition rates than the rest of the industry.

### **Employee Development Policy and Training**

Our Human Resource vision is to create a committed workforce through people enabling processes and knowledge sharing practices based upon our value system. We believe that learning and development is an integral part of business operations. We have annual assessment process for every level within the organization, including the top management. Under this, employees are subject to performance appraisal and are assessed on specific skill requirements. For each employee areas of development are identified and training is given in those areas, based on the employee's career plan. We also use these assessment processes to carry out promotions at all levels, through a completely transparent process.

Our corporate objective is to provide every employee training, which is one of the mandatory leadership competencies for promotion.

### **Compensation Policy**

Our compensation policy is based on employees' qualification age, experience and level. The policy also compares industry practices in this regard. Compensation among others is used to attract and retain talent in the company

### **Corporate Social Responsibility**

Corporations do not create a team. It's a good team, which creates a good corporation. We fully realize this fact and therefore provides its team with the best working and social environment. From a highly creative office atmosphere to an eco-friendly production infrastructure, our business philosophy is finely guided by protecting the environment and the interest of its people, customers and business associates. From healthcare to international standards of social compliance, we treat every issue as a means to higher efficiency of our social responsibility.

### **Health and Safety**

We follow a strict code of Health & Safety practices at conditions in the workplace and beyond. The code is monitored continually by internal management reviews, which involve representatives from all areas of the business. The group also reviews and updates the code regularly ensuring that all legislation and recommended practice is complied with. We constantly strive to remain eco-friendly by adhering to the highest international standards of manufacturing, affluent treatment and by using non-hazardous chemicals to ensure the welfare of our consumers and the sanctity of our natural environment.

### **The Environment**

Good environmental practice has always been a prime consideration in our development, leading us to seek practical solutions to avoid the production of waste. Our business activity inevitably has an impact on the environment. We seek to minimize this impact as far as possible by operating a policy of sustainable development and constantly researching new ways to reduce pollution, wastage and the amount of resources used, while recycling as much as we can. We view all environmental regulations and legislation as the minimum standard to be attained and strive to exceed them significantly where possible as the needs of the retail industry have changed.

### **In the Community**

We take our responsibility to contribute to the community in which we operate seriously. We make every effort to support our staff and the wider society in improving our local community. The company has always taken an active role in local communities in which it operates, supporting many worthy causes.

We recognize that our employees have an important role to play within the wider community and seek to provide every effort to support its staff with charitable endeavours and local community initiatives. These activities have included promoting and sponsorship of individual and social activities, fund raising for hospitals and schools and coordinating with aid agencies and local authorities for projects around the nation. We have always considered our duty to help and support socio-economic causes that are beneficial to people and the society at large.

Shri Hari Charitable Trust, a Charitable Institution was formed to provide free of cost advanced education to the girls belonging to the under privileged and illiterate families of remote villages. The school was setup upto 12<sup>th</sup> Standard in 1994 providing free education to around 1200 girls.

Over the years, we have been able to successfully educate the people in these remote areas to overcome their belief in the myth that educating a woman was a sin. Today, this school is educating around 1200 children from 15 villages. This school offers free education to girls from poor families and is recognized by the Madhya Pradesh Education Board. In the school, the under privileged girls are also taught other extra-curricular activities like stitching, classical music, cooking, yoga etc.

We have also promoted the profession of Pharmacy by offering scholarships for students from poor and needy families who wish to pursue a career in pharmacy.

### **Corporate Values**

- We are committed to actions to restore and preserve the environment.
- We are committed to developing safe and clean technologies using the best environmental practices.
- We are committed to minimizing waste and pollutants, conserving resources, and recycling materials at every stage of the product life cycle.
- We will continue to work with customers and public authorities, vigorously pursuing the development, and implementation of improved technologies and products by minimizing their impact on the environment.
- We will develop effective methods and procedures, and will promote a culture in which all employees share this commitment.

In this way, we aim to have an environmental performance we can be proud of, to earn the confidence and respect of customers, shareholders, and society at large, and to contribute to sustainable development.

## KEY INDUSTRY REGULATIONS & POLICIES

### Indian Regulations

#### Drugs and Cosmetics Act, 1940

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

In the case of APIs, the Drug Controller General of India issues a manufacturing and marketing license. These manufacturing and marketing licenses are submitted by the company seeking to produce the drug, to the state level authority, the Drug Control Administration which clears the drug for manufacturing and marketing. The Drug Control Administration also provides the approval for the technical staff as per the Drugs and Cosmetics Act and rules framed under the legislation abiding by the WHO<sup>1</sup> and CGMP<sup>2</sup> inspection norms. The approvals for licensing are also to be acquired from the Drug Control Administration.

#### Drugs (Prices Control) Order 1995

The Drugs (Prices Control) Order 1995 or DPCO was promulgated under the Essential Commodities Act, 1955 and is to be read with the Drugs and Cosmetics Act, 1940. The DPCO fixes the ceiling price of some active pharmaceuticals and formulations. The active pharmaceuticals and formulations which fall within the purview of the legislation are called scheduled drugs and scheduled formulations, respectively.

The authority set up under the legislation is the National Pharmaceutical Pricing Authority, or NPPA, is responsible for the collection of data and the study of the pricing structure of active pharmaceuticals and formulations. Upon the recommendation of the NPPA, the Ministry of Chemicals and Fertilizers fixes the ceiling prices of the active pharmaceuticals and formulations and issues notifications on drugs which are scheduled drugs and scheduled formulations. The NPPA arrives at the recommended prices for the scheduled drugs and formulations after collection and analysis of data on costing which includes data on raw material composition, packing materials, process losses, overhead allocation and apportionment, capacity utilization, technical data on manufacturing work orders and packing work orders.

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

#### Indian Patent Regulation

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

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<sup>1</sup> World Health Organization

<sup>2</sup> Current Good Manufacturing Practices

In 1995, under the General Agreement on Tariffs and Trade (GATT), India became a signatory to the Trade Related Aspects on Intellectual Property Rights (TRIPS). This agreement required India to recognize product patents as well as process patents. The new regime provides for:

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

As a developing country, India had been granted a ten-year grace period to comply with product patent requirement in its law under the WTO agreement. In accordance with the TRIPs agreement, World Trade Organization (WTO)-member countries, including India, were expected to recognize pharmaceutical product patents effective January 1, 2005. India amended its Patents Act in April 2005 to comply with requirements under the TRIPS Agreement. With the introduction of stringent product patent regime, the Indian generic companies will not be able to create copies through different processes of a product which is patented after 1995.

### **Indian Environmental Regulation**

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

The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. A similar regulatory framework is also established with respect to bio-medical waste under the Bio-Medical Waste (Management and Handling) Rules, 1998.

In addition, the Ministry of Environment and Forests looks into Environment Impact Assessment (EIA). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects.

### **United States Regulations**

In the United States, the USFDA, established under the Department of Health and Human Services, regulates medicines through its Center for Drug Evaluation and Research. For biological products, the Center for Biologics Evaluation and Research, also under the USFDA, is responsible for ensuring the safety and efficacy of such products. The USFDA has issued guidelines relating to good clinical practice and clinical trials that are to be followed even by manufacturers of APIs outside the US. The USFDA mandates drugs to be manufactured in conformity with the CGMP. The facilities, within or outside US, in which the APIs or drugs are manufactured require USFDA approval. USFDA approval is also required for the manufacture and marketing of new drug compounds, new formulations for existing drug compounds and generic drugs.

To obtain USFDA approval for a new drug to be used in a clinical investigation, an Investigational New Drug Application, or IND, has to be filed along with data and information relating to pre-clinical laboratory and animal

toxicology tests, methods of manufacture of the product, quality control testing, etc. Thereafter, for the sale and marketing of a new pharmaceutical product or new formulations for existing drug compounds in the US, a New Drug Application, or NDA, has to be made. As regards a generic drug manufacturer, the relevant application for approval is the Abbreviated New Drug Application, or ANDA. This application has its basis in the Hatch-Waxman Act, 1984, which permits generic versions of previously, approved innovator drugs to be approved by submission of bioequivalency data without the need for complete reports of pre-clinical and clinical studies.

An ANDA is required to include certifications of invalidity or non-infringement of any patents relating to certain listed drugs, by the generic drug applied for (paragraph IV certification). The Hatch-Waxman Act provides an incentive of 180 days of market exclusivity to the first generic applicant who challenges a patented drug by filing a paragraph IV certification. For a bulk supplier of APIs to a US Company, the Drug Master Files, or DMF, assumes importance. The DMF contains confidential, detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of the APIs. This DMF supports the INDA, NDA or ANDA, as the case may be, and is submitted by the supplier of the API. Upon submission of an INDA, NDA or ANDA by the US Company for the finished product, the USFDA examines the DMF in the course of reviewing the INDA, NDA or ANDA. Increasingly, the USFDA is adopting the format contained in the Common Technical Document for submission of technical data to regulatory authorities.

## OUR HISTORY AND CORPORATE STRUCTURE

We are an emerging global healthcare company, engaged in the business of manufacturing, marketing and distribution of a broad spectrum of pharmaceutical and allied healthcare products, with operations in several key markets of the world, backed by state of the art manufacturing facilities.

### Historical perspective

We started our operations as a small company marketing generic drugs under the name of Plazma Laboratories, in the year 1963. This later on resulted in the formation of Ethico Drugs & Chemical Mfg. Co in the year 1978, a manufacturing and marketing company selling branded generic antibiotics. We were amongst the first to launch Doxycycline (Minicycline) and Cotrimoxazole (Timizole) in the Indian market. Both the products were well accepted by the Indian medical fraternity. It was this start, that gave us the required impetus in the domestic market and paved the way for a host of new and innovative branded formulations to be launched in India in segments like the anti-malarials, Antitubercular drugs and so on.

In order to strengthen our marketing and distribution network, Plethico Pharmaceuticals (P) Ltd. was established in the year 1985, with the objective of establishing as one of the major players in the domestic Pharma market. Plethico Pharmaceuticals (P) Ltd was converted into Public Limited Company in 1993.

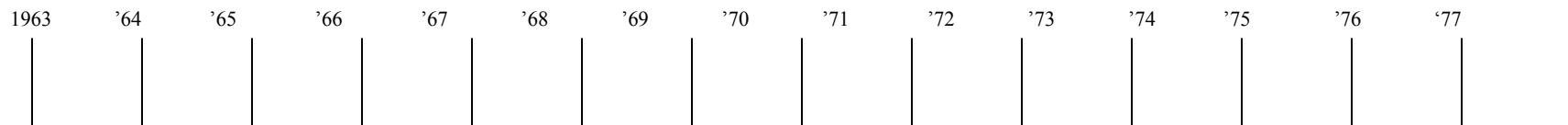
The company established its presence with several major brands like RezQ, Reziz, Koxi, Monto 3, Monto 4, Recofast, Recofast Plus, Amloz, Amloz AT, Cebect, Cebect TZ in segments like the Antimalarials, Anti-Tubercular, Cough & Cold, Cardiac and the Antimicrobials to name a few. 1996 saw the Company make its foray into the international market by initiating exports to Russia, CIS, Africa and Eastern Europe. 2003 saw the launch of our OTC division under the umbrella of Coach's Formula Protein Health Drink. So from a humble beginning we stand today at a sales of Rs 2221.85 Mn and a PAT of Rs 561.30 Mn for the year ending September 30, 2005.

**Key Events**

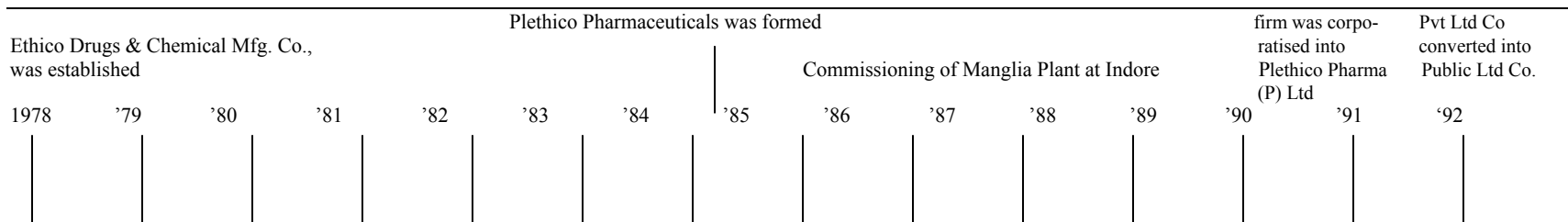
<b>1963 – 1970</b>	<ul style="list-style-type: none"> <li>▪ Plazma Laboratories the first company of the group, marketing generic drugs came into existence.</li> <li>▪ Commissioning of first formulation manufacturing facility at Indore Madhya Pradesh India consisting of semi automatic sections for Tablet, Capsule and Oral Liquid.</li> </ul>
<b>1971 – 1980</b>	<ul style="list-style-type: none"> <li>▪ Ethico Drugs &amp; Chemical Mfg. Co was established, to manufacture and sell branded generic antibiotics.</li> <li>▪ Creating of countrywide marketing network for marketing of wide range of branded ethical medicines.</li> </ul>
<b>1981 – 1990</b>	<ul style="list-style-type: none"> <li>▪ Plethico Pharmaceuticals was formed, with the objective of establishing itself as one of the major players in the domestic pharma market.</li> <li>▪ Ultra Modern formulation plant established at Manglia, near Indore to produce wide range of Allopathic Tablets, Capsules and Dry Suspension.</li> <li>▪ Introduced first time in India Doxycycline based unique Anti-biotic under the brand name Minicycline and Co-Trimoxazole based unique Anti Bacterial under the brand name Timizol</li> <li>▪ Launching of wide range of branded allopathic ethical medicines under widely accepted therapeutic segments including Anti-tuberculosis, Anti-malarials, Cardiovascular, Anti microbial and Cough &amp; Cold Preparations.</li> </ul>

Plazma Laboratories came into existence, commissioning of First formulation manufacturing facility at Pologround, Indore

Creating of Countrywide marketing network



- |                    |   |
|--------------------|---|
| <b>1991 – 2000</b> | <ul style="list-style-type: none"> <li>▪ Installation of Ayurvedic &amp; Herbal formulation manufacturing plant at Indore during 1992 under the group firm Plethico Products.</li> <li>▪ Plethico Pharmaceuticals was converted into Pvt Ltd Co 1991 before being converted into a Closely Held Public Limited Company in 1992.</li> <li>▪ Introduced first time in India, the novel ayurvedic and herbal preparations under the brand names – Octogen, Previl, Syndrex and allopathic combipacks, kit packs and by-layer Tablets.</li> <li>▪ Up-gradation of existing manufacturing facilities at Manglia comply to the world-class specifications.</li> <li>▪ Successful launching of star brand ‘Travisil’, unique features of Travisil brand being exceptional combination of taste, flavour, efficacy and international standard, in CIS and other countries. Travisil is a combination of 16 Indian Herbs, which calls for special blending technique coupled with extensive analytical capabilities, which was developed in house by extensive R &amp; D efforts.</li> </ul> |
| <b>2000 – 2005</b> | <ul style="list-style-type: none"> <li>▪ Began setting up state-of-the-art formulation manufacturing plant complying to the World Class Specifications including WHO GMP, UKMCA, USFDA etc. and was appraised by Premiere Financial Institutions of India – BoB, EXIM Bank and IDBI having enviable rapport with all of them.</li> <li>▪ Commissioning of the state of the art Kalaria Plant at Kalaria, Indore.</li> </ul>   |



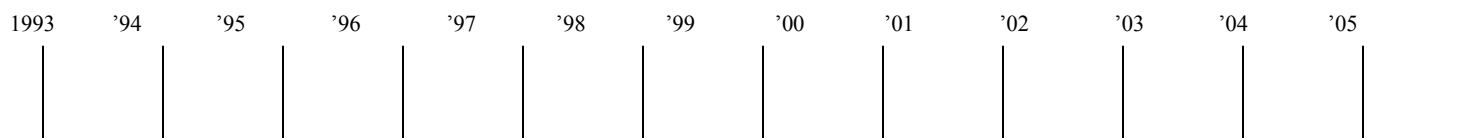
- Setting-up of a fully automatic advanced Pet Bottle Manufacturing Plant (Blow Stretch Molding Plant) imported from Aoki, Japan
- **Awarded “Exporter of the Year” Award by Government of India**
- Setting-up of fully automatic medicated Lozenges Manufacturing Plant imported from Klockner Hansel GmbH, Germany, with inbuilt New Delivery System to offer therapeutic advantages to consumers
- Sell off of Ethical Brands & Distribution chain.
- Took Major Stake in a marketing and distribution chain in the CIS, with a well-coordinated network in Russia, Kazakhstan, Moldova, Kyrgyzstan, Ukraine and Azerbaijan.
- Acquired status of approved 2 Star Trading House & implemented “Peoplesoft J.D.Edwards” (Now Oracle) – an advanced Internet based Enterprise Resource Planning System (ERP).
- Aspen Pharmaceuticals Limited, a Joint Venture company in Cambodia was formed.
- Establishment of Plethico Africa Limited, a Joint Venture to manufacture and market in Kenya and Rest of East Africa.

Plethico Pharmaceuticals (P) Ltd  
was converted into Public Ltd Co

Commissioning of kalaria Plant

Establishment of  
Plethico Africa Ltd

Exporter of the Year Award



## Main Objects of the Company

The main objects of our Company, as stated in the Memorandum of Association include the following:

1. To carry on business as manufacturers of and dealers in chemical products, antibiotics and medicinal preparations and generally to carry on the business of manufacturers, buyers, sellers of and dealers in chemical products, antibiotics, medicines and medical preparation and drugs whatsoever and of foods suitable for infants and invalids, and carry on all or any of the business of manufacturing chemists and druggists, chemical manufactures and dealers, drysalters, importers, exporters and manufacturers of and dealers in pharmaceutical and medicinal preparations and goods.

2. To manufacture, buy and deal in gluco saline of other saline, boths and other restorative of foods especially those suitable or deemed to be suitable for infants, invalids and convalescents, and also to deal in medicinal goods such as surgical instruments, contraceptives, medicinal oils, patent medicines, artificial eyes, hospital requisites, vaccines, biological, proprietary medicines, veterinary medicines, tinctures extracts etc.

2.1 To carry on business as Trader, Dealer Commission Agent, Buyer, Seller, Exporter, Importer of Oil Seeds, De-oiled cakes, Hand Picked Shell, Ground Nut, Rapseed Meal, Castor Oil, Rice Bran, Oil Cakes, Oil Seeds, Oil Extractions and other preparations thereof. Feed of Soya, Ground Nut, Cotton Seed, Rapseed and other similar products."

2.2 "To carry on business as Trader, Dealer, Commission Agent, Buyer, Seller, Export House, Importer of all kinds of basic drugs, medicines, chemicals, pharmaceutical formulations.

The main objects clause of the Memorandum of Association enables our Company to undertake activities for which the funds are being raised in the IPO and also the activities, which the Company has been carrying on till date.

## Changes in Memorandum of Association

Date of Change	Changes
31/07/1992	<ul style="list-style-type: none"> <li>▪ Name of the Company changed from Plethico Pharmaceuticals Private Limited to Plethico Pharmaceuticals Limited</li> <li>▪ Increase in Authorised Share Capital from Rs 25,00,000 (Rs Twenty Five Lacs) to Rs 1,25,00,000 (Rs One Crore Twenty Five Lacs)</li> <li>▪ Denomination of Equity Shares changed from Rs 100/- each to Rs 10/- each</li> </ul>
27/10/1994	<ul style="list-style-type: none"> <li>▪ Increase in Authorised Share Capital from Rs 1,25,00,000 (Rs One Crore Twenty Five Lacs) to Rs 15,00,00,000 (Rs Fifteen Crores)</li> </ul>
14/01/1998	<ul style="list-style-type: none"> <li>▪ Change in the main object clause by adding new clauses 2.1 &amp; 2.2 as mentioned above under the head titled "Main Objects of the Company"</li> </ul>
13/12/2005	<ul style="list-style-type: none"> <li>▪ Increase in Authorised Share Capital from Rs 15,00,00,000 (Rs Fifteen Crores) to Rs 40,00,00,000 (Rs Forty Crores).</li> </ul>

## Our Subsidiaries

We do not have any subsidiaries as on the date of filing of the Prospectus

### Shareholders Agreement

We do not have any shareholders agreement as on the date of filing of the Prospectus

### Financial Partners

We do not have any financial partners as on the date of filing of the Prospectus

### Strategic Partners

#### A. Overseas Investments

#### Rezlov

We have entered into several memorandums of understandings with Pharmqual Investments - FZC to purchase shares in Rezlov Limited, a pharmaceutical distribution chain, established as separate legal entities in the following countries:

Country	Date of Memorandum of Understanding	Shareholding	Total Shareholding
Kazakhstan	July 22, 2005	12%	
	November 30, 2004	12%	
	May 13, 2004	51%	75%
Kyrgyzstan	July 22, 2005	12%	
	November 30, 2004	12%	
	August 7, 2004	51%	75%
Moldova	November 30, 2004	12%	
	July 27, 2004	51%	63%
Russia	August 12, 2004	51%	51%
Ukraine	August 20, 2004	51%	51%
Azerbaijan	August 27, 2004	51%	51%

We have remitted the purchase consideration in terms of the abovementioned memorandum of understandings and received the share certificates, which have been forwarded to the respective Rezlov entities for registration in favour of us.

We have entered into another memorandum of understanding dated July 22, 2005 with Pharmqual Investments - FZC to purchase a further 12% stake in ICS Rezlov MO SRL in Moldova. In terms of the said memorandum of understanding, the Company is to remit the purchase consideration with 180 days of execution of the memorandum of understanding, failing which, Pharmqual Investments shall be entitled to forfeit an amount equal to 20% of the sale consideration as liquidate damages. Pharmqual Investments – FZC has however granted time till June 30, 2006 to remit the money.

#### Kenya

We have entered into a memorandum of understanding dated December 21, 2004 with a Mr. Jayesh Saini to form a joint venture company in Kenya, Plethico Africa Limited for setting up of world class manufacturing unit with liquid and ointment plant as phase-I. Under the terms of the said memorandum of understanding, we are required to hold 55% of the equity share capital of the joint venture company. Further, the parties have agreed that during the subsistence of the joint venture company, none of the parties shall commence or carry on any business, either by itself or with or through any connected party or entity, directly or indirectly, that competes with the business of the joint venture company in Kenya. At present, the joint venture company has not issued or allotted any shares in favour of the Company.

### Cambodia

We have entered into a memorandum of understanding dated November 5, 2004 with Tricon Holdings Limited to form a joint venture company in Cambodia for indenting, stock and sales operations, contract manufacturing and such inter related areas in the field of pharmaceuticals, surgical and related products. Under the terms of the said memorandum of understanding, we are required to hold 5% of the equity share capital of the joint venture company. Further, the parties have agreed that during the subsistence of the joint venture company, none of the parties shall commence or carry on any business, either by itself or with or through any connected party or entity, directly or indirectly, that competes with the business of the joint venture company. At present, the joint venture company has not issued or allotted any shares in favour of the Company.

### B. Acquisition of Unit in Jammu & Kashmir

We, as a lessee, have entered into a lease agreement dated January 7, 2006 with Protection Plus Pharmaceuticals Pvt. Ltd. in respect of a unit in Jammu including the structure, plant and machinery for manufacture of tablets, capsules and orals-beta lactum and non beta lactum along with herbals, furniture and fixtures. The lessor has granted the Company, the authority/power for conduct of business and handles day to day routine operations. The lease is valid for a period of 1 year or till determined earlier on the Company exercising an option to purchase the demised property.

The Company has also entered into a lease to purchase option agreement dated January 7, 2006 with Protection Plus Pharmaceuticals Pvt. Ltd. in respect of the abovementioned demised property. Under this agreement, the Company has the option to purchase the demised property for a consideration arrived at after completion of due diligence. Under this agreement, the option to purchase expires at midnight on August 31, 2006. The Company has remitted a non-refundable amount of Rs.1,50,000 upon the execution of this agreement to Protection Plus Pharmaceuticals Pvt. Ltd. which shall be adjusted against the consideration in the event the option to purchase is exercised by the Company.

### SEZ unit in Kandla

The Company has entered into an agreement dated March 22, 2004 with the President of India acting through the Development Commissioner of Kandla SEZ in respect of setting up of a unit by the Company in the Kandla SEZ. Under the said agreement, the unit is required to achieve a positive net foreign exchange earning cumulatively over a period of 5 years as provided in the SEZ scheme.

## OUR MANAGEMENT

### Board of Directors

The Board of Directors conducts the day-to-day operations of the Company. As per the Articles of Association, Company cannot have less than three or more than twelve directors. We currently have six directors.

The following table sets forth certain details regarding the members of Board as of date of filing this Prospectus with SEBI:

Name, Designation, Address, Occupation	Father's Name	Age (years)	Date of Appointment and Term	Other Directorships
<b>Mr. Shashikant Patel</b> Chairman and Managing Director (CMD) S/o Late Mr. Apabhai Patel 18C, Swati Building, Sarojini Road, Santacruz (west), Mumbai Industrialist		60	13 <sup>th</sup> December 2005. From 1 <sup>st</sup> January 2006 to 31 <sup>st</sup> March 2008	<ul style="list-style-type: none"> <li>• Plethico Finance Ltd.</li> <li>• Plazma Laboratories Pvt. Ltd.</li> <li>• Plethico Laboratories Pvt. Ltd.</li> </ul>
<b>Mr. Chirag Patel</b> Wholetime Director and Chief Executive Officer (CEO) S/o Mr. Shashikant Patel 18C, Swati Building, Sarojini Road, Santacruz (west), Mumbai Industrialist		36	13 <sup>th</sup> December 2005. From 1 <sup>st</sup> January 2006 to 31 <sup>st</sup> March 2008	<ul style="list-style-type: none"> <li>• Plethico Finance Ltd.</li> <li>• Plazma Laboratories Pvt. Ltd.</li> <li>• Plethico Laboratories Pvt. Ltd.</li> </ul>
<b>Ms. Gauravi Parikh</b> Executive Director D/o Mr. Shashikant Patel 6, Moti Apartment, Playground Road, Vile-Parle (East), Mumbai Industrialist		28	13 <sup>th</sup> December 2005. From 1 <sup>st</sup> January 2006 to 31 <sup>st</sup> December 2010	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Mr. Rakesh Jain</b> Non Executive-Independent Director S/o S/o Late Shri Roshanlal Jain N-72, Anoop Nagar, Indore – 452 008. Profession		47	Appointed as Additional Director in the Board meeting held on 05/01/2006 upto the date of the next AGM	<ul style="list-style-type: none"> <li>• Arihant Housing Developers Pvt. Ltd.</li> <li>• Prime Indian Agro-Foods Pvt. Ltd.</li> </ul>
<b>Mr. Sanjay Gupta</b> Non Executive-Independent Director S/o Dr. M.C. Gupta 405, Yashraj Residency, 10, Manoramaganj, A.B. Road, Indore (M.P.) Profession		42	Appointed as Additional Director in the Board meeting held on 05/01/2006 upto the date of the next AGM	<ul style="list-style-type: none"> <li>• Nil</li> </ul>

<p><b>Mr. Ashok Sodhani</b>  Non Executive-Independent Director  S/o Late Shri K.L. Sodhani  Flat 3-C, padmaprabha Apts., 11/3,  Manoramaganj, Indore – 452 001 (M.P.)  Profession</p>	44	Appointed as Additional Director in the Board meeting held on 05/01/2006 upto the date of the next AGM	<ul style="list-style-type: none"> <li>• Porwal Auto Components Limited</li> </ul>

**Brief profile of our Directors**

**a. Mr. Shashikant Patel (Chairman & Managing Director)**

Mr. Shashikant Patel, Chairman & Managing Director, age 60 years is the promoter of the Company. He has been associated with the business for the last 40 years. He has reinforced his position as the Managing Director of the Company. As a Chairman he provides strategic direction to the Company. He has vast experience in international business as well as domestic marketing and sourcing is his forte. It was the year 1996 when Mr. S.A. Patel was requested to take charge of domestic activities, he immediately professionalized the entire marketing team and brought in the best talent available in the industry in order to take a quantum jump. Till then, Plethico was Rs 450 Mn Company. Within a span of 6 Years, the Company became Rs 1100 Mn Company which translates to a CAGR of 16%. He has been the driving force behind the company's growth. The precedent set by infusion of professional talent has till date been followed where the management has divided the business into SBU's and each manager is responsible for set goals. He is ably assisted by his son Chirag since 1996 and daughter Gauravi since 2000. The company has consistently made profits, which clearly establishes the values nourished under leadership.

**b. Mr. Chirag Patel (Whole Time Director and CEO)**

Mr. Chirag Patel is the new breed of young entrepreneurs aged 36 years with bright, innovative & fresh ideas to do business. He has got experience in global pharma business in the last 8 years and is a strong advocate of brand building. He has been responsible for the Company's foray into consumer healthcare business and international operations. Mr. C.S. Patel started off his career as an apprentice to Mr. Bhaskar Patel, who trained him on the Sales, Distribution, Production, Finance skills. Mr. C.S. Patel who was a quick learner set sight on entering active business in 1996. He was responsible for the serious foray into Exports by the Company. Within a short time he started to extensively travel in the markets which were shortlisted for entry. These were the CIS & African markets. The objective was to carefully understand the market dynamics, the economy for its potential for business and also whether there could be perceived threat of the foreign exchange policy taking a massive change. He was majorly responsible for the Company finalizing on Oracle-Peoplesoft-J.D. Edwards ERP Version 8.9 and also the finalization of Field Force Management System from SIFY in English plus 3 Languages (Russian, Spanish & French).

**c. Mrs. Gauravi Parikh (Executive Director)**

Ms. Gauravi Parikh, aged 28 years, is a B.Pharm and MS (USA). She joined business in the year 2000 after she completed her MS from University of Ohio - USA. She currently looks after the regulatory affairs, marketing, & New Product Development (NPD) of the Company. Her entry on the business scene after her professional training in the US has helped the company standardizing & expediting the churning of Registration Dossiers which are so essential in getting the company's products registered across the globally. She is also responsible for New Product Development and also helps the Company in strategizing the right product / right molecule including the method of marketing, Post Marketing Surveillance (PMS). She has helped the Company in launching more than 200 products. Her expertise is also sought on marketing literature which is sent to various stations as part of the promotional activities undertaken by the Company for promoting its products. Her forte is medical information on molecules.

**d. Mr. Rakesh Jain**

Aged 47 years is M. Com., D.M.M. & M.B.A. from Devi Ahilya Vishav Vidyalaya, Indore and has wide knowledge in the field of Marketing, Corporate Planning, Strategic Management, Project Management, Capital Markets, Time Management, Taxation and Finance & Exports. Presently he has occupied honorable position in various business organizations namely; Chairman of Confederation of Indian Industries (CII) Malwa Zone, President of All India Induction Furnace Association (M.P. Chapter), President of LPG Cylinder manufactures Association of Central India, President of Management Marshal (MM), Vice-Chairman of Pithampur Audhyogik Sanghtan, Vice Chairman of Indore Management Association, Treasurer & Secretary of Soybean Processors Association of India (SOPA) etc. He is also associated with various social and academic affiliations, namely; President of Rotary Club of Indore city, Executive president of Punjab Jain Sangh, President of M.P. Kidney Foundation, Advisory Board member of Institute of Economic Studies – Institute of International Business etc. He has traveled extensively all over the world for export markets development.

**e. Mr. Sanjay Gupta**

Aged 42 years is a Chartered Accountant in practice for over 20 years and has expertise in the field of System Development, Corporate Audits & Taxation etc. He has done lot of studies on Management portfolio and conducted numerous management teaching seminars.

He is Life Member of Centre for Environment Protection Research & Development, Indore, Board member of Nice College, Indore, Committee member of Bharat Vikas Parishad & Youth Hostel Association of India. He is also Ex-Chairman of the Institute of Chartered Accountants of India, Indore Branch and Ex-President of Management Marshals (MM), Indore.

**f. Mr. Ashok Sodhani**

Aged 44 years is a Chartered Accountant in practice for over 18 years and has a good exposure in Systems Development and Monitoring, Financial Structuring and Project Planning, Management Audits & HRD etc. He is on the Board of M/s Porwal Auto Components Limited in the capacity of Independent Director, member in the advisory board of The New Digamber Public School, Indore and member, of the Managing Committee of the Institute of Chartered Accountants of India, Indore Branch.

**Details of Borrowing Powers of the Directors**

Our Articles of Association authorise our Board, to borrow moneys and secure the payment thereof. Our shareholders at the AGM held on December 27, 2005 authorised the Board to borrow by way of loan (term loans/working capital facilities/external commercial borrowings and securities (debentures) the aggregate value of which (including existing facilities etc.) shall not exceed Rs. 500 crores from financial institutions/banks etc.

For details regarding powers of our Board in this regard kindly refer to the section titled “Main Provisions of the Articles of Association” on page 256 of the Prospectus.

**Details of compensation payable to Managing Director/Whole time Director/Executive Director**

**1. Mr. Shashikant Patel** was appointed as Director of the Company on 4<sup>th</sup> December 1991 and was re-designated as the Chairman cum Managing Director of the Company in the EGM held on 13<sup>th</sup> December, 2005 w.e.f from 1<sup>st</sup> January, 2006 for the remaining part of his tenure till 31<sup>st</sup> March, 2008. The Company shall pay to him during the continuance of the agreement in consideration of the performance of his duties:

***Salary and Allowances:***

1. Salary: Rs.5,50,000/- per month, With the annual increment of Rs.50,000/- only due on 1<sup>st</sup> day of January every year.
2. Perquisites: Subject to the maximum amount equivalent of the Salary as under:
  - (i) House Rent Allowance: 50% of the Salary
  - (ii) Re-imburement of medical expenses: the total cost of which to the Company shall not exceeding one month salary in the year or three months salary in a block of three years of the Chairman and Managing Director and his family,
  - (iii) Leave travel assistance: Expenses incurred for self and family and family in accordance with the Rules of the Company.
  - (iv) Club Fees: subject to a maximum of two clubs this will not include admission and life membership.
  - (v) Personal accident insurance premium: not exceeding Rs.25,000/- P.A.
  - (vi) Annual Bonus: upto 20% of the salary.

***Benefits:***

In addition to the above said salary and perquisites, the Chairman and Managing Director shall also be entitled for the following benefits:

1. Contribution to the Public Provident Fund, Provident Fund, Family Benefit Fund Superannuation Fund as per Rules of the Company.
2. Gratuity not exceeding half a month salary for each completed year of service.
3. Earned Privilege Leave: As per the rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every year completed services at the end of the tenure.

***Facilities to perform duties:***

1. Car: The Company shall provide a car with driver for the Company's business and if no car is provided reimbursement of the conveyance shall be as per actual on the basis of claims made by him.
2. Telephone: Free use of mobile and a telephone at his residence provided that personal long distance calls on the telephone shall be billed by the Company to the Chairman and Managing Director.

***Note:***

1. For the purpose of perquisites stated above "Family" means the spouse, the dependent children and dependent parents of the appointee.
2. In the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri Shashikant A. Patel shall be the minimum remuneration payable to him in terms of the provisions of Schedule XIII to the Companies Act, 1956 and/or subject to the approval of the Central Government as the case may be.
3. Shri Shashikant A. Patel, the Chairman and Managing Director shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges, as may from time to time, be available to other Senior Executives of the Company.

**2. Mr. Chirag Patel** was appointed as Whole time Director of the Company on April 1<sup>st</sup> 2003 and was re-designated as the CEO of the Company in the EGM held on 13<sup>th</sup> December, 2005 w.e.f from 1<sup>st</sup> January, 2006 for the remaining part of his tenure till 31<sup>st</sup> March, 2008. The Company shall pay to him during the continuance of the agreement in consideration of the performance of his duties:

***Salary and Allowances:***

1. Salary: Rs.2,75,000/- per month, With the annual increment of Rs.25,000/- only due on 1<sup>st</sup> day of January every year.
2. Perquisites: Subject to the maximum amount equivalent of the Salary as under:
  - (i) House Rent Allowance: 50% of the Salary

- (ii) Re-imburement of medical expenses: the total cost of which to the Company shall not exceeding one month salary in the year or three months salary in a block of three years of the Whole-time Director and Chief Executive Officer and his family,
- (iii) Leave travel assistance: Expenses incurred for self and family and family in accordance with the Rules of the Company.
- (iv) Club Fees: subject to a maximum of two clubs this will not include admission and life membership.
- (v) Personal accident insurance premium: not exceeding Rs.15,000/- P.A.
- (vi) Annual Bonus: upto 20% of the salary.

***Benefits:***

In addition to the above said salary and perquisites, the Whole-time Director and Chief Executive Officer shall also be entitled for the following benefits:

1. Contribution to the Public Provident Fund, Provident Fund, Family Benefit Fund Superannuation Fund as per Rules of the Company.
2. Gratuity not exceeding half a month salary for each completed year of service.
3. Earned Privilege Leave: As per the rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every year completed services at the end of the tenure.

***Facilities to Perform Duties:***

1. Car: The Company shall provide a car with driver for the Company's business and if no car is provided reimbursement of the conveyance shall be as per actual on the basis of claims made by him.
2. Telephone: Free use of mobile and a telephone at his residence provided that personal long distance calls on the telephone shall be billed by the Company to the Whole-time Director and Chief Executive Officer.

***Note:***

1. For the purpose of perquisites stated above "Family" means the spouse, the dependent children and dependent parents of the appointee.
2. In the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri Chirag S. Patel shall be the minimum remuneration payable to him in terms of the provisions of Schedule XIII to the Companies Act, 1956 and/or subject to the approval of the Central Government as the case may be.
3. Shri Chirag S. Patel, the Whole-time Director and Chief Executive Officer shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges, as may from time to time, be available to other Senior Executives of the Company.

**3. Mrs. Gauravi Parikh** was appointed as Additional Director of the Company on 25<sup>th</sup> June 2005 and was re-designated as the Executive Director of the Company in the EGM held on 13<sup>th</sup> December, 2005 w.e.f from 1<sup>st</sup> January, 2006 for the remaining part of her tenure till 31<sup>st</sup> March, 2008. The Company shall pay to her during the continuance of the agreement in consideration of the performance of her duties:

***Salary and Allowances:***

1. Salary: Rs.50,000/- per month, With the annual increment of Rs.5,000/- only.
2. Perquisites: Subject to the maximum amount equivalent of the Salary as under:
  - (i) House Rent Allowance: 50% of the Salary
  - (ii) Re-imburement of medical expenses: the total cost of which to the Company shall not exceeding one month salary in the year or three months salary in a block of three years of the Executive Director and her family,
  - (iii) Leave travel assistance: Expenses incurred for self and family and family in accordance with the Rules of the Company.
  - (iv) Club Fees: subject to a maximum of two clubs this will not include admission and life membership.

(v) Personal accident insurance premium: not exceeding Rs.6,000/- P.A.

(vi) Annual Bonus: upto 20% of the salary.

***Benefits:***

In addition to the above said salary and perquisites, the Executive Director shall also be entitled for the following benefits:

1. Contribution to the Public Provident Fund, Provident Fund, Family Benefit Fund Superannuation Fund as per Rules of the Company.
2. Gratuity not exceeding half a month salary for each completed year of service.
3. Earned Privilege Leave: As per the rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every year completed services at the end of the tenure.

***Facilities to perform duties:***

1. Car: The Company shall provide a car with driver for the Company's business and if no car is provided reimbursement of the conveyance shall be as per actual on the basis of claims made by him.
2. Telephone: Free use of mobile and a telephone at her residence provided that personal long distance calls on the telephone shall be billed by the Company to the Executive Director.

***Note:***

1. For the purpose of perquisites stated above "Family" means the spouse, the dependent children and dependent parents of the appointee.
2. In the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Mrs. Gauravi Parikh shall be the minimum remuneration payable to her in terms of the provisions of Schedule XIII to the Companies Act, 1956.
3. Mrs. Gauravi Parikh, the Executive Director shall also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by her in connection with the Company's business and such other benefits/amenities and other privileges, as may from time to time, be available to other Senior Executives of the Company.

## CORPORATE GOVERNANCE

We stand committed to good Corporate Governance practices. We have set up internal policies to ensure best practices in corporate governance. Our corporate governance philosophy is dedicated to the attainment of the highest levels of accountability and transparency in dealings with our stakeholders. Our corporate governance policies lay emphasis on communication (both internal and external) and reporting. These vital initiatives extend beyond mandatory corporate governance requirements and are in accordance with our aim of establishing voluntary best practices for good corporate governance practices.

The Guidelines issued by SEBI in respect of Corporate Governance will be applicable to us immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, we have undertaken steps to comply with the SEBI Guidelines on Corporate Governance.

The Board has six Directors, of which three are independent directors in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. The Chairman of the Board is an executive Director. Committees of the Board have been constituted in order to look into the matters in respect of audit, compensation of executive directors, shareholding/Investors Grievance Redressal, details of which are as follows:

### **Audit Committee**

The Audit Committee has been constituted on 5<sup>th</sup> January, 2006. The Committee currently consists of three directors Mr Rakesh Jain, Mr Sanjay Gupta and Mr Ashok Sodhani. All these directors are independent directors having finance and accounting background. Mr Sanjay Gupta shall be the Chairman of the Committee.

The terms of the Audit Committee is to comply with the requirements of section 292 A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchange (S). The scope of Audit Committee shall include but shall not be restricted to the following:

- a. Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act or referred to it by the Board
- b. Investigate any activity within its terms of reference
- c. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- d. Reviewing with management the annual financial statements
- e. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- f. Reviewing the adequacy of internal audit function, 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. Reviewing the Company's financial and risk management policies
- h. Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

### **Remuneration Committee**

The Remuneration Committee has been constituted on 5<sup>th</sup> January 2006. The Committee currently consists of three directors, Mr Rakesh Jain, Mr Sanjay Gupta and Mr Ashok Sodhani. All these directors are independent directors. Mr Ashok Sodhani shall be the Chairman of the Committee.

The Committee has been formed to decide and approve the terms and conditions for appointment of executive directors of the Company, their remuneration packages including pension rights, any compensation payments and other matters related thereto.

#### **Shareholders / Investor Grievance and Share Transfer Committee**

The Shareholders / Investor Grievance Committee has been constituted on 5<sup>th</sup> January 2006. The Committee currently consists of three directors, Mr Rakesh Jain, Mr Sanjay Gupta and Mr Ashok Sodhani. Mr Ashok Sodhani shall be the Chairman of the Committee.

The Committee has been formed to specifically look into all the works relating to shares and shareholders grievance, i.e., approval of transfer/transmission/demat/remat of shares, issue of duplicate, split-up, consolidation, renewal of share certificate, non receipt of balance sheet, non receipt of declared dividends etc.

#### **Shareholding of the Directors in our Company**

<b>Name of the Shareholder</b>	<b>Number of Shares held</b>	<b>% Shareholding</b>
Mr. Shashikant Patel	30,330,780	99.772
Mr. Chirag Patel	34,000	0.112
Ms. Gauravi Parikh	400	0.001
Mr Rakesh Jain	Nil	Nil
Mr Sanjay Gupta	Nil	Nil
Mr Ashok Sodhani	Nil	Nil

#### **Interest of Directors**

All the non executive directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them as per the applicable laws.

The Directors may also be regarded as interested in the shares & dividend payable thereon, if any, held by or that may be subscribed by and allotted/transferred to them or the companies, firms and trust, in which they are interested as Directors, Members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any Company in which they hold Directorships or any partnership/proprietorship firm in which they are proprietor/partners as declared in their respective declarations.

The Managing Director of the Company is interested to the extent of remuneration paid to him for services rendered to the Company (For more details, please refer “Related Party Transactions” on page no. 147).

However, the company is manufacturing certain products on contract manufacturing basis for Trends Pharma Pvt. Ltd., Mumbai wherein husband of Ms. Gaurvi Parikh, Executive Director of the company is interested as a Director. The company is also purchasing printed packing material / promotional materials from M/s. Shubh Arts, Mumbai & M/s. Print Master, Mumbai in which brother in law of Mr. Shashikant Patel, Director of the company is interested as a Partner & Proprietor respectively.

The details of property purchased by the company from the Director(s) of the company within a period of 3 years is as under:

A. Property purchased from Mr. Shashikant Patel:

1. Description of the property purchased : Agricultural Land bearing Khasra No.255/1/2 at Village Gari Pipliya, Sanwer Tehsil, Dist. Indore ad measuiring 1.412 Hectres.
2. Date of the property purchased : 02.06.2004.
3. Value of the purchase consideration : Rs.326194.00

4. Documents executed : Registered Sale Deed.

B. Property purchased from Mr. Chirag Patel & Ms. Gaurvi Parikh: Nil

*Except as stated otherwise in this Prospectus, the Company has not entered into any Contract, Agreements or Arrangements during the preceding two years from the date of the Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be entered with them.*

#### **Changes in Our Board of Directors during last three years**

The changes in the Board of Directors of the Company in last three years are as follows:

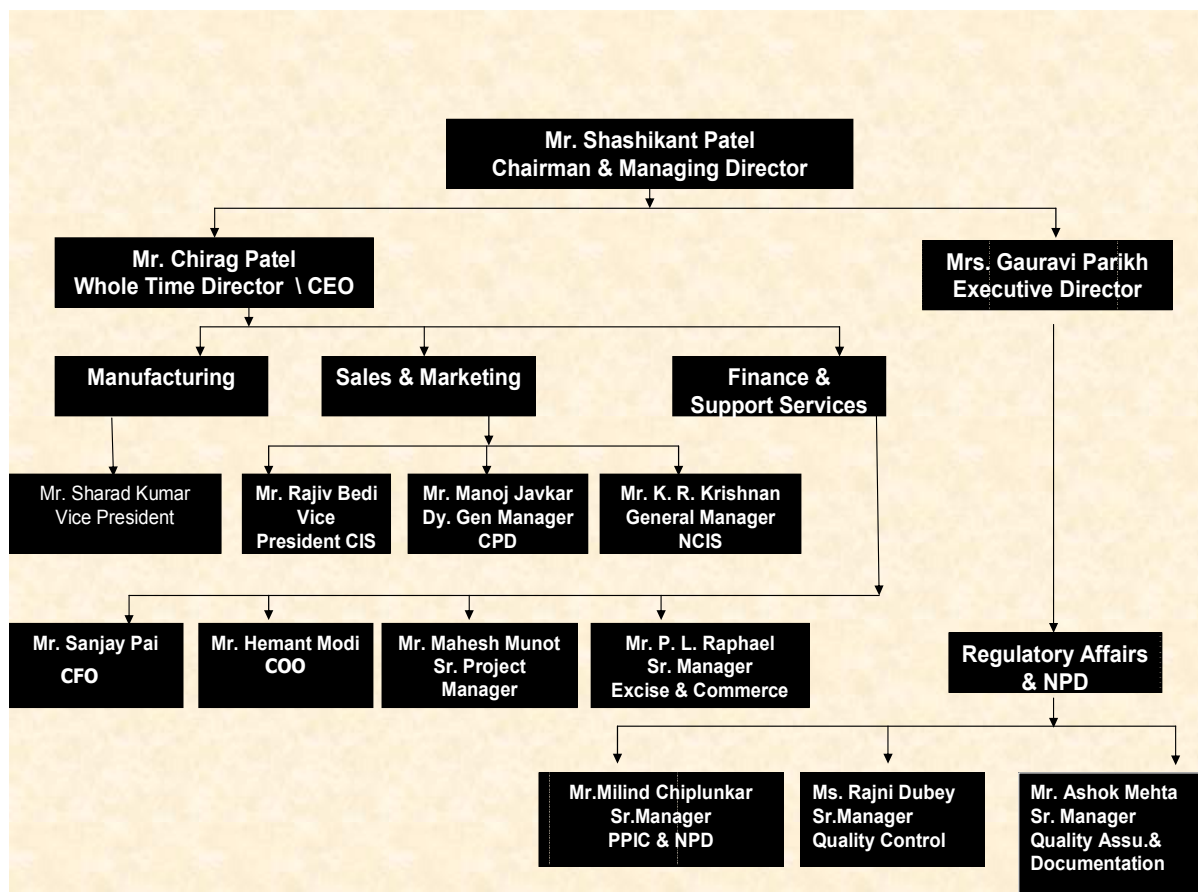
<b>Name of the Director</b>	<b>Date of Change</b>	<b>Reasons for Change</b>
Mr. Balwant Save	June 16, 2004	Withdrawal by IDBI as the Nominee Director
Mr. Bhaskar Patel	June 30, 2005	Resigned from Directorship
Ms. Gauravi Parikh	June 25, 2005	Appointed as Additional Director
Mr. Rakesh Jain	January 5, 2005	Appointed as Additional Director - Independent
Mr. Sanjay Gupta	January 5, 2005	Appointed as Additional Director – Independent
Mr. Ashok Sodhani	January 5, 2005	Appointed as Additional Director - Independent

#### **Payment or Benefit to Promoters or principal shareholders of the Company**

No benefit or payments have been made to any promoters or principal shareholders of the company except as stated in the terms and remuneration payable as per the compensation agreement entered into by them.

The company does not intend to give any benefit or any payment to any of the promoters or principal shareholders in future except as explained above. As far as payments of directors are concerned no benefits have been allowed except as per the terms of the contract for the service.

## Organizational Structure



**KEY MANAGEMENT PERSONNEL**

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/finance/ distribution/marketing and corporate laws. The following key personnel assist the Management:

**Details of the Key Managerial Personnel are as follows:**

Sr. No	Name	Designation	Age (Yrs.)	Qualification	Date of Appointment	Annual Gross Remu.	Experience (Yrs.)	Previously Employed
1	Mr. Hemant Modi	COO	46	M.Com, A.C.A.	September '89	7,40,880	21 Yrs.	Medi Caps Ltd., Indore as Manager - Accounts & Finance.
2	Mr. Rajiv Bedi	Vice President – CIS Sales & Mktg	41	B.Com, D.E.M., C.B.I.	May, 1996	10,35,360	19 Yrs.	Nicolian Bros., Delhi as a Sr. Manager – Exports.
3	Mr. Sharad Kumar	Vice President – Works	48	B. Pharma, P.G.D. in Production Management	February, 2004	8,03,760	22 Yrs.	Syncom Formulations India Ltd., Pithampur, Indore as GM – Works and promoted in 1999 as Vice President – Works
4	Mr. Ashok Mehta	Sr. Manager – QA & Documentation	47	M. Pharma	September 2002	4,05,024	12 Yrs.	Shri Krishna Keshav Lab., Ahmedabad.- Sr. Manager QA
5	Ms. Rajni Dubey	Sr. Manager-QC	35	M.Sc.	February' 1983	1,87,272	22 Yrs.	First Employment
6	Mr. K.R. Krishnan	GM – NCIS Sales & Mktg	41	B.Sc (Hon), B.Sc (Tech) D.E.I.M.	May, .2002	12,90,360	17 Yrs.	Flamingo Pharmaceuticals Ltd., Mumbai as Manager International.
7	Mr. Sanjay Pai	CFO	34	B.Com, C.A.	November '98	7,32,000	11 Yrs.	Inter Asia Trade (P) Ltd., Mumbai as Deputy General Manager.
8	Mr. Manoj Javkar	DGM – CPD Sales & Mktg	41	B.Sc.	July'02	8,49,600	18 Yrs.	TTK Healthcare Ltd., Mumbai as Regional Sales Manager.
9	Mr. P.L. Raphael	Sr. Manager – Excise & Commerce	45	B.Com, LLB	June, 1982	7,55,448	23 Yrs.	Ethico Drugs & Chemicals Mfg. Co. Pvt Ltd., Indore – as a Director
10	Mr. Mahesh Munot	Sr. Project Manager	39	BE Mechanical	November '04	10,74,000	15 Yrs.	Aker Kvaerner Powergas India Pvt. Ltd., Mumbai – Sr. Manager– Projects
11	Mr. Milind Chiplunkar	Sr. Manager – PPIC & NPD	44	M.sc (Physical Chemistry), DMS	September '04	4,95,000	18 Yrs.	Genom Biotech Pvt. Ltd., Mumbai as General Manager - Contract Mfg.
12	Mr. Pankaj Pabaiya	Company Secretary	29	C.S.	January 2006	2,11,296	3Yrs	Ad-Manum Finance Ltd., Indore – Company Secretary

Note: None of the key managerial personnel are relatives of the Promoters. As on date all the employees named above were on the roll of the Company as permanent employees.

### Shareholding of the Key Managerial Personnel

The Key Managerial Personnel of the Company does not hold any shares in the Company as on the date of this Prospectus.

### Bonus or Profit Sharing Plan for the Key Managerial Personnel

Currently, we do not have a performance linked bonus or a profit sharing scheme for our Employees. However, our Employees are entitled to bonus payable annually. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in our Company.

### Changes in the Key Managerial Personnel

Following are the changes in the key managerial personnel within one year prior to the date of filing the Prospectus.

Sr. No.	Name	Designation	Date of Joining	Date of Leaving	Reason
1.	Mr. Y.V.V. Kalyan	Sr. Manager – Engineering	November, 2003	April, 2005	Resignation
2.	Mrs. Ranjana Lele	Manager Production	April, 1994	July, 2005	Resignation
3.	Mr. NVS Girirao	Works Manager	October, 1974	September, 2005	Resignation
4.	Mr. P.A. Patel	Manager – QAD	July, 1986	October, 2005	Resignation
5.	Mr. Saurabh Parikh	Mg. Costing & C.S.	November, 2001	January, 2006	Resignation

### EMPLOYEES

Our existing manpower is as follows:

Sr No	Unit	Skilled	Unskilled	Total
1	Kalaria	360	30	390
2	Manglia	265	40	305
3	Kandla	95	30	125
4	Corporate Office	60	10	70
5	Administrative Office	40	20	60

### Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

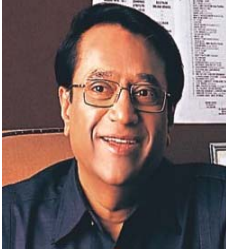

Till date, the Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme


**Payment or Benefit to Officers of the Company**

No benefit or payments have been made to any officer of the company except payment of incentive to the marketing staff of consumer product division. This incentive is based on performance of the individual employee. The incentive policy is declared from time to time for a specific period and for the specific territory.

The company does not intend to give any benefit or any payment to any of the employees in future except incentive as explained above. As far as payments of directors are concerned no benefits have been allowed except as per the terms of the contract for the service.

## OUR PROMOTERS

<b>Name of the Promoter</b>	<b>Mr. Shashikant Patel (Chairman &amp; Managing Director)</b>
	<p><b>Mr. Shashikant Patel</b>, Chairman &amp; Managing Director, age 60 years is the promoter of the Company. He has been associated with the business for the last 40 years. He has reinforced his position as the Managing Director of the Company. As a Chairman he provides strategic direction to the Company. He has vast experience in International Business as well as Domestic Marketing and sourcing is his forte. It was the year 1996 when Mr. S.A. Patel was requested to take charge of domestic activities; he immediately professionalized the entire marketing team and brought in the best talent available in the industry in order to take a quantum jump. Till then, Plethico was Rs 450 Mn Company. Within a span of 6 Years, the Company became Rs 1100 Mn Company which translates to a CAGR of 16%. He has been the driving force behind the company's growth. The precedent set by infusion of professional talent has till date been followed where the management has divided the business into SBU's and each manager is responsible for set goals. He is ably assisted by his son Chirag since 1996 and daughter Gauravi since 2000. The company has consistently made profits which clearly establish the values nourished under his leadership.</p> <p>His Passport number is E-6997735 and Voters ID number is MT/08/036/502660.</p>
<b>Name of the Promoter</b>	<b>Mr. Chirag Patel (Whole Time Director and CEO)</b>
	<p>Mr. Chirag Patel is the new breed of young entrepreneurs aged 36 years with bright, innovative &amp; fresh ideas to do business. He has got experience in global pharma business in the last 8 years and is a strong advocate of brand building. He has been responsible for the Company's foray into consumer healthcare business and international operations. Mr. C.S. Patel started off his career as an apprentice to Mr. Bhaskar Patel, who trained him on the Sales, Distribution, Production, Finance skills. Mr. C.S. Patel who was a quick learner set sight on entering active business in 1996. He was responsible for the serious foray into Exports by the Company. Within a short time he started to extensively travel in the markets which were shortlisted for entry. These were the CIS &amp; African markets. The objective was to carefully understand the market dynamics, the economy for its potential for business and also whether there could be perceived threat of the foreign exchange policy taking a massive change. He was majorly responsible for the Company finalizing on Oracle-Peoplesoft-J.D. Edwards ERP Version 8.9 and also the finalization of Field Force Management System from SIFY in English plus 3 Languages (Russian, Spanish &amp; French).</p> <p>His Passport number is F-5081189 and Voters ID number is MT/08/036/502662</p>

<b>Name of the Promoter</b>	<b>Ms.Gauravi Parikh (Executive Director)</b>
	<p>Ms. Gauravi Parikh, aged 28 years, is a B.Pharm and MS (USA). She joined business in the year 2000 after she completed her MS from University of Ohio - USA. She currently looks after the regulatory affairs, marketing, &amp; New Product Development (NPD) of the Company. Her entry on the business scene after her professional training in the US has helped the company standardizing &amp; expediting the churning of Registration Dossiers which are so essential in getting the company's products registered across the globally. She is also responsible for New Product Development and also helps the Company in strategizing the right product / right molecule including the method of marketing, Post Marketing Surveillance (PMS). She has helped the Company in launching more than 200 products. Her expertise is also sought on marketing literature which is sent to various stations as part of the promotional activities undertaken by the Company for promoting its products. Her forte is medical information on molecules.</p> <p>Her Passport number is E-2430906 and PAN number is AKPPP7466E.</p>

We confirm that the Permanent Account Number, Bank Account Number, Passport Number and Voter ID No. of the promoters have already been submitted to the NSE and BSE at the time of filing of this Prospectus.

None of the above mentioned persons have been restrained from accessing the capital market for any reasons by SEBI or any other authorities.

The promoters, their relatives, the company, its group and associate companies are not detained as wilful defaulters by RBI/ Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

#### Common Pursuits

Except that Mr. Chirag Patel and Ms Gauravi Parikh are children of Mr. Shashikant Patel, Chairman and Managing Director of our Company, there is no other relation between our Promoters, Director and Key Managerial Personnel.

Other than stated above there are no common pursuits in the business of our Company and that of our group/associate companies and that of the promoters.

#### Interest of the Promoters

The Promoter may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding directorship in the Company. The Promoter is not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances.

The following companies/ firms/ ventures are promoted by the promoters and they may be deemed to be interested in them:

Name of the Concern	Type of Concern
M/S. Plethico Laboratories Pvt. Ltd.	Company
M/S. Plethico Finance Ltd.	Company
M/S. Plazma Laboratories Pvt. Ltd.	Company
M/S. Plethico Products	Firm

Except as disclosed above and related party transaction on page no. 147, the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

**Related Party Transactions**

For details on related party transactions please refer page no.147

## OUR GROUP COMPANIES

The Companies, which can be classified as our Group Companies, are Plethico Products, Plethico Laboratories Pvt. Ltd, Plethico Finance Ltd and Plazma Laboratories Pvt. Ltd.

### 1. Plethico Products:

*Firm Information:*

A partnership firm, incorporated on July 22, 1988 and having its principal office at 39, Industrial Estate, Pologround, Indore was set up with the object of manufacturing & marketing of Pharmaceutical and Allied Products.

*Partners of the firm with the current shareholding are as follows:*

- Mr Shashikant Patel - 50 %
- Mr Chirag Patel - 50 %

*Financial Performance:*

Particulars	2002-03	2003-04	2004-05
Sales	545,838.50	653,832.00	84,000.00
Other Income	618,499.00	440,887.00	217,102.08
Total Income	1,164,337.50	1,094,719.00	301,102.08
Profit after Tax	16,224.46	7,604.13	15,902.18
Partner"s Capital	1,929,339.50	1,936,943.63	1,952,845.82
Reserve & Surplus	-	-	-
Dividend	-	-	-
E.P.S	-	-	-
Book Value per share	-	-	-

The partnership firm is an unlisted entity and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

### 2. Plethico Laboratories Pvt Ltd

*Corporate Information:* The Company was incorporated on September 28, 1988. Its registered office is at 38, Industrial Estate, Pologround, Indore and was set up with the main object of manufacturing & marketing of Pharmaceutical and Allied Products.

*Board of Directors is as under:*

- Mr Shashikant Patel
- Mr Chirag Patel

*Shareholding Pattern:*

Sr. No	Name of the Shareholder	No. of Equity Shares	% of total equity holding
1.	Mr Shashikant Patel	1012	30.50%
2.	Mr Chirag Patel	2305	69.50%
	<b>TOTAL</b>	<b>3317</b>	<b>100.00%</b>

*Financial Performance:*

Particulars	2002-03	2003-04	2004-05
Sales	4,158,271.21	204,306.00	180,000.00
Other Income	684,351.26	657,065.50	398,245.50
Total Income	4,842,622.47	861,371.50	578,245.50
Profit after Tax	2,876.92	10,889.55	7,146.40
Equity Share Capital	331,700.00	331,700.00	331,700.00
Reserve & Surplus	492,763.22	503,652.87	510,799.17
Dividend	Nil	Nil	Nil
E.P.S	0.87	3.28	2.15
Book Value per share	Rs.245.02	Rs.250.07	Rs.254.00

The company is an unlisted entity and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

### 3. Plethico Finance Limited

*Corporate Information:* The Company was incorporated on June 06, 1995. Its registered office is at 38, Industrial Estate, Pologround, Indore and was set up with the main object of carrying out finance and leasing activities.

*Board of Directors is as under:*

- Mr Shashikant Patel
- Mr Chirag Patel
- Ms Jayshree Patel

*Shareholding Pattern:*

Sr. No	Name of the Shareholder	No. of Equity Shares	% of total equity holding
1.	Mr Shashikant Patel	125100	41.61%
2.	Mr Chirag Patel	10100	3.36%
3.	Ms Jayshree Patel	15100	5.02%
4.	Ms Ritu Patel	120100	39.95%
5.	Ms Gaurvi Parikh	15100	5.02%
6.	Mr Aditya Patel	15100	5.02%
7.	Mr J.B. Patel	100	0.03%
	<b>TOTAL</b>	<b>300700</b>	<b>100.00%</b>

*Financial Performance:*

(Amount in Rs.)

Particulars	2002-03	2003-04	2004-05
Sales	-	-	-
Other Income	202,051.00	214,106.00	223,989.00
Total Income	202,051.00	214,106.00	223,989.00
Profit after Tax	30,644.00	35,009.00	39,523.00
Equity Share Capital	3,007,000.00	3,007,000.00	3,007,000.00
Reserve & Surplus	749,183.00	784,192.00	823,715.00
Dividend	Nil	Nil	Nil
E.P.S	0.10	0.12	0.13
Book Value per share	Rs.12.46	Rs.12.59	Rs.12.74

The company is an unlisted entity and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

**4. Plazma Laboratories Pvt Limited**

*Corporate Information:* The Company was incorporated on July 29, 1963. Its registered office is at 37, Industrial Estate, Pologround, Indore and was set up with the main object of manufacturing & marketing of Pharmaceutical and Allied Products.

*Board of Directors is as under:*

- Mr Shashikant Patel
- Mr Chirag Patel

*Shareholding Pattern:*

Sr. No	Name of the Shareholder	No. of Equity Shares	% of total equity holding
1.	Mr Shashikant Patel	360	30.64
2.	Mr Chirag Patel	289	24.60
3.	Ms Jayshree Patel	526	44.76
	<b>TOTAL</b>	<b>1175</b>	<b>100.00%</b>

*Financial Performance:*

Particulars	2002-03	2003-04	2004-05
Sales	551,650.00	651,750.00	258,795,250.00
Other Income	94,157.35	82,377.00	79,248.00
Total Income	645,807.35	734,127.00	258,874,498.00
Profit after Tax	(30,482.07)	(49,432.82)	311,029.74
Equity Share Capital	117,500.00	117,500.00	117,500.00
Reserve & Surplus	834,957.42	723,477.42	732,171.42
Dividend	Nil	Nil	Nil
E.P.S	N.A.	N.A.	264.71
Book Value per share	Rs.454.66	Rs.317.72	Rs.589.83

**Plethico Pharmaceuticals Limited**

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The company is an unlisted entity and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

**Companies with which the Promoter has disassociated itself in the last three years**

The companies with which the Promoters have disassociated themselves in the last three years are as under:

<b>Sr No</b>	<b>Name of the firm/company</b>	<b>Particulars</b>
1.	Shivata Exports Corporation	Consequent to merger with the Company it has been dissolved w.e.f. 1 <sup>st</sup> April 2004
2.	Plethico Pharmaceuticals	Consequent to merger with the Company it has been dissolved w.e.f. 1 <sup>st</sup> April 2004
3.	Plethico Pharmaceuticals (Liquid Tab Division)	Consequent to merger with the Company it has been dissolved w.e.f. 1 <sup>st</sup> April 2004
4.	S.S.Healthcare	Due to retirement of erstwhile director Mr Bhaskar Patel w.e.f 30 <sup>th</sup> June 2005

The following companies are merged with us and they are no longer in existence :

1. Shivata Exports Corporation
2. Plethico Pharmaceuticals
3. Plethico Pharmaceuticals (Liquid Tab Division)

There are no common pursuits with SS Healthcare.

**Related party transaction with Group Companies**

For details of transactions with our Group Companies kindly refer to paragraph on 'Related Party Transactions' on page 147 of the Prospectus.

### RELATED PARTY TRANSACTIONS

#### ANNEXURE IV-J-1 : DETAILS OF THE LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIPS

Particulars	Year ended 30-Jun-03	Period ended 30-Sep-04 (15 Mths)	Year ended 30-Sep-05	Quarter ended 31-Dec-05
Nature of relationship	Name of Party	Name of Party	Name of Party	Name of Party
<b>Subsidiary Companies</b>				
<b>Associates</b>	Shivata Export Corporation  Plethico Pharmaceuticals - (Liquid Tab Division) Plethico Pharma	Shivata Export Corporation  Plethico Pharmaceuticals - (Liquid Tab Division) Plethico Pharma		
<b>Key Management Personnel</b>	Bhaskar A. Patel Shashikant .A. Patel Chirag.S. Patel	Bhaskar A. Patel Shashikant .A. Patel Chirag.S. Patel	Bhaskar A. Patel Shashikant .A. Patel Chirag.S. Patel Gaurvi K. Parikh	Shashikant .A. Patel Chirag.S. Patel Gaurvi K. Parikh
<b>Relatives of Key Management Personnel RKMP</b>	Lata B. Patel Jayshree S. Patel Nikhil B.Patel Gita N. Patel Ritu C.Patel Gaurvi K. Parikh	Lata B. Patel Jayshree S. Patel Nikhil B.Patel Gita N. Patel Ritu C.Patel Gaurvi K. Parikh	Lata B. Patel Jayshree S. Patel Nikhil B.Patel Gita N. Patel Ritu C.Patel	Jayshree S. Patel Ritu C.Patel Kartik Parikh
<b>Related parties where KMP / RKMP exercise significant influence</b>	Shivata Exports Limited  Plazma Laboratories Pvt. Ltd. Plethico Laboratories Pvt. Ltd. Plethico Products  S.S. Healthcare Plethico Finance Limited Ethico Drugs & Ch.Mfg.Co.P.Ltd.	Shivata Exports Limited  Plazma Laboratories Pvt. Ltd. Plethico Laboratories Pvt. Ltd. Plethico Products  S.S. Healthcare Plethico Finance Limited Ethico Drugs & Ch.Mfg.Co.P.Ltd.	Shivata Exports Limited  Plazma Laboratories Pvt. Ltd. Plethico Laboratories Pvt. Ltd. Plethico Products  S.S. Healthcare Plethico Finance Limited Ethico Drugs & Ch.Mfg.Co.P.Ltd.	Plethico Laboratories Pvt. Ltd. Plazma Laboratories Pvt. Ltd. Plethico Products  Plethico Finance Limited

Employee Funds		Employee Group Gratuity Scheme	Employee Group Gratuity Scheme	Employee Group Gratuity Scheme
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Notes :

1. The parties listed under the category 'subsidiaries' are the related parties where control exists during each of the respective years
  2. The classification and the disclosure of information of related parties for each of the years is as per the audited standalone financial statements of Plethico Pharmaceuticals Limited for the respective years, which have been adjusted for restatements.
  3. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited
- \* Only for part of the year

As per our report of even date  
For N.P.Gandhi & Co.  
Chartered Accountants

For and on behalf of the Board of  
Plethico Pharmaceuticals  
Ltd

N.P.Gandhi  
Proprietor  
M. No. 44294  
Indore  
Date : 18th January,  
2006

S.A.Patel  
Director  
Indore  
Date : 18th January, 2006

ANNEXURE IV-J-2: DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND DETAILS OF OUTSTANDING BALANCES					
(All amounts in Rs. million)					
Particulars	Nature of Relationship	Year/Period ended			
		30-Jun-03	30-Sep-04	30-Sep-05	31-Dec-05
<b>Purchases &amp; Sales</b>			<b>15 Mths</b>		
Purchase of goods and services	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	19.37	14.90	10.68	0.00
Purchase of fixed assets (including intangibles)	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Sale of goods	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	12.00	31.58		
Sale of fixed assets	Associates Where KMP/RKMP exercise significant Influence KMP Relative of KMP		102.22		
Expenses :					
Managerial Remuneration	Key Management Personnel	1.89	7.47	5.16	0.73
Rent/ Hotel Charges Paid	Where KMP/RKMP exercise significant Influence KMP	1.57	1.28	0.22	0.00
Discount given on Sale	Subsidiary Companies				
Interest paid	Where KMP/RKMP exercise significant Influence	0.18	0.21	0.22	0.00
Loss from Partnership Firms	Associates	7.95	8.10		
Contribution to various funds	Employee benefit plans				
<b>Income</b>					
Rent Received	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Interest Received	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Dividend Received/ Accrued	Subsidiary Companies Associates Where KMP/RKMP exercise				

Plethico Pharmaceuticals Limited

	significant Influence				
Finance Loans / Deposit given	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Guarantees given	Subsidiary Companies Where KMP/RKMP exercise significant Influence				
Subscription to/ Purchase of Equity Shares	Subsidiary Companies				
Subscription to/ Purchase of Preference Shares	KMP RKMP Subsidiary Companies  Associates Where KMP/RKMP exercise significant Influence				
Sale/ Redemption of Investments	KMP RKMP Subsidiary Companies Where KMP/RKMP exercise significant Influence				
Outstanding Balances Investments Associates	KMP RKMP  Associates Where KMP/RKMP exercise significant Influence				
Sundry Creditors	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence Employee Fund				
Sundry Debtors	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	51.20			
Loans/ Advances Received	Relatives of KMP Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	12.56			
Advances to Associates	Associates	3.54	3.72		
		168.28			
Corporate Guarantees					

**Plethico Pharmaceuticals Limited**

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	Associates Where KMP/RKMP exercise significant Influence				
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Notes :

1. The classification and the disclosure of information of related parties for each of the years is as per the audited standalone financial statements of Plethico Pharmaceuticals Limited for the respective years, which have been adjusted for restatements as listed in Annexure III.

ANNEXURE IV-J-3 : DISCLOSURE OF SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES						
(All amounts in Rs. million)						
Type of the Transaction	Type of relationship	Name of entity / Beneficiary Party	Year/Period ended			
			30-Jun- 03	30-Sep- 04	30-Sep- 05	31-Dec- 05
				<b>15 Mths</b>		
Purchase of fixed assets (including intangibles)	Subsidiary					
Sale of Fixed Assets	KMP RKMP					
Sale of investments	Subsidiary					
Loan / Deposits given						
Sale of goods	KMP/RKMP exercise significant influence	S.S.Health Care Plethico Pharmaceuticals Liq Tab		102.22		
<b>Total</b>	Associate Firm		12.00	31.58		
			<b>12.00</b>	<b>133.80</b>		
Discount given on sale						
Purchase of goods and services rendered	KMP/RKMP exercise significant influence	Plethico Laboratories Pvt Ltd Plethico Products Ethico Drugs & Chem. Mfg. Pvt Ltd Plazma Labotatories Pvt Ltd	2.23 6.49 5.43 5.22	1.45 5.18 4.29 3.98	0.86 4.16 2.41 3.25	
<b>Total</b>			<b>19.37</b>	<b>14.90</b>	<b>10.68</b>	
Interest Received						
Interest Paid	KMP/RKMP exercise significant influence	Plethico Finance Ltd	0.18	0.21	0.22	
Loss / (Profit) from Partnership Firm	Associate Firm	Plethico Pharmaceuticals Liq Tab Plethico Pharmaceuticals	8.00 (0.04)	7.85 0.26		

**Plethico Pharmaceuticals Limited**

		Shivata Export Corporation	(0.01)	(0.01)		
<b>Total</b> Dividends Received / Accrued			<b>7.95</b>	<b>8.10</b>		
Rent Received						
Rent Paid	KMP/RKMP exercise significant influence	Ethico Drugs & Chem. Mfg. Pvt Ltd	0.08	0.10	0.03	
		Plethico Products Plazma Labotatories Pvt Ltd	0.60	0.53	0.00	
		Plethico Laboratories Pvt Ltd	0.08	0.09	0.04	
		Shivata Export Corporation	0.30	0.15	0.15	
			0.51	0.41	0.00	
<b>Total</b>			<b>1.57</b>	<b>1.28</b>	<b>0.22</b>	

## CURRENCY OF PRESENTATION

In the Prospectus, all references to “Rupees” and “Rs.” and “Indian Rupees” are to the legal currency of the Republic of India. Through out the sections on ‘Financial Information’ in the Prospectus figures have been expressed in Millions (Mn). The term ‘millions’ means ‘Thousand Thousand’.

Any percentage amounts, as set forth in “Risk Factors”, “Our Business”, “Management’s Discussion and Analysis of Financial Conditions and Results of Operation” in the Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP. In the Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

## DIVIDEND POLICY

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

Particulars	FY2005	FY2004	FY2003	FY2002#	FY2001
Face value of Equity shares (Rs. per share)	Rs.10/-	Rs. 10/-	Rs.10/-	Rs.10/-	Rs.10/-
Dividend including tax (Rs. in Lakhs)	216.66	214.83	214.34	209.38	209.38
Dividend rate	25%	25%	25%	25%	25%

# Interim Dividend

\* Paid on a *pro-rata* basis.

However, the amounts paid as dividends in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future.

## SECTION VI: FINANCIAL INFORMATION

### INDEX

1. Statement of Assets and Liabilities and Profits and Losses, as restated, for the years ended June 30, 2001, 2002, 2003, for the period ended September 2004, year ended September 2005 and period ended December, 2005.
2. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

STATEMENT OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, UNDER INDIAN GAAP FOR THE YEARS ENDED JUNE 30, 2001, 2002, 2003, PERIOD ENDED SEPTEMBER 30, 2004, YEAR ENDED SEPTEMBER 30, 2005 AND PERIOD ENDED DECEMBER 31, 2005.

**Auditors' report as required by Part II of Schedule II of the Companies Act, 1956**

March 13, 2006

To  
The Board of Directors  
Plethico Pharmaceuticals Ltd  
A.B.Road,  
Manglia - 453 771,  
Dist. –  
INDORE (M.P.)  
India

Dear Sirs,

At your request, we N.P.Gandhi & Co, Chartered Accountants auditors of Plethico Pharmaceuticals Ltd (PPL or the company) have examined the financial information annexed to this report which have 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');

B. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended by circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992;

C. The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Offer Document of the Company in connection with its proposed Initial Public Offer ('IPO') and

D. The Guidance Note on Reports in Company Prospectuses and Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India ('ICAI').

The Company proposes to make an IPO for the issue of 36,66,667 equity shares having a face value of Rs. 10 per equity at an issue price to be arrived at by the book building process. This IPO shall consist of a fresh issue of 36,66,667 equity shares by the Company referred to as 'the Offer').

**Financial information as per audited financial statements**

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at JUNE 30, 2001, 2002, 2003, period ended SEPTEMBER 30, 2004, year ended SEPTEMBER 30, 2005 and period ended DECEMBER 31, 2005 and the attached restated summary statement of profits and losses for the years/period ended on those dates ('Summary Statements') (See Annexure I and II) as prepared by the Company and approved by the Board of Directors.

These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure III to this report.

The summary statement for the year ended June 30, 2001 are based on the financial statement of that year which have been audited by M/s Trilok Jain & Co, which we have relied upon for the purpose of this report.

The summary statements for the years ended JUNE 30, 2002, 2003, period ended SEPTEMBER 30, 2004, year ended SEPTEMBER 30, 2005 and period ended DECEMBER 31, 2005 are based on the financial statements of those years, which have been audited by us. Further, the impact of retrospective adjustments on account of changes in, prior period items in the years June 30, 2002 & 2003 have been verified by us.

Based on our examination of these summary statements, we confirm that:

The impact arising on account of prior period items have been adjusted in the summary statements in the years to which they relate and have been adjusted with retrospective effect in the attached summary statements;

The extraordinary items are disclosed separately in the summary statements; and

There are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements for the period ended December 31, 2005 are enclosed as part of Annexure III to this report.

#### **Other Financial Information**

3. At your request, we have also examined the following other financial information of the Company proposed to be included in the Offer Document as approved by you and annexed to this report:

#### **Details of other financial information examined Annexure reference**

- a. Statement of Cash Flows, as restated IV-A
- b. Details of Other Income and Other Income including exceptional items IV-B
- c. Details of rates of dividend IV-C
- d. Capitalization statement IV-D
- e. Details of Loans IV-E and IV-E-1
- f. Details of Investments IV-F
- g. Details of Sundry Debtors IV-G
- h. Details of Loans and Advances IV-H
- i. Details of Contingent Liabilities IV-I
- j. Details of Related Party transactions
- k. Details of the list of related parties and nature of relationships IV-J-1
- l. Details of transactions with related parties and details of outstanding balances IV-J-2
- m. Disclosure of significant transactions with related parties IV-J-3
- n. Statement of Accounting ratios IV-K
- o. Statement of tax shelters IV-L

4. In respect of matters covered by 'Other Financial Information', contained in this report, we have relied upon the audited financial statements for the years ended June 30, 2001, 2002, 2003, period ended September 30, 2004, year ended September 30, 2005 and period ended December 31, 2005.

5. In our view, the financial information as per audited financial statements and other financial information mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

6. The sufficiency of the procedures performed, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

7. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or by other firm of chartered accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.

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

**N.P.Gandhi & Co.**

Chartered Accountants

N.P.Gandhi  
Proprietor  
Membership No: 44294  
Mumbai

<b>ANNEXURE I : SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED</b>						
(All amounts in Rs. Million)						
	Year/Period Ended					Qtr Ended
	<b>JUNE 30, 2001</b>	<b>JUNE 30, 2002</b>	<b>JUNE 30, 2003</b>	<b>SEP 30, 2004</b>	<b>SEP 30, 2005</b>	<b>DEC 31, 2005</b>
				<b>15 Mths</b>		
<b>A. Fixed Assets :</b>						
Gross Block	127.32	505.12	866.44	1103.42	1155.06	1155.24
Less : Depreciation	33.77	42.62	74.87	125.19	173.80	190.91
<b>Net Block</b>	<b>93.55</b>	<b>462.50</b>	<b>791.57</b>	<b>978.23</b>	<b>981.26</b>	<b>964.33</b>
Capital Work-in-Progress	310.63	253.26	116.65	11.73	4.38	4.94
<b>Total</b>	<b>404.18</b>	<b>715.77</b>	<b>908.22</b>	<b>989.96</b>	<b>985.64</b>	<b>969.27</b>
<b>B. Investments</b>	<b>78.33</b>	<b>55.03</b>	<b>54.33</b>	<b>902.44</b>	<b>1251.09</b>	<b>1349.97</b>
<b>C. Current Assets, Loans and Advances:</b>						
Inventories	162.87	211.84	198.17	157.11	109.88	138.03
Sundry Debtors	424.97	485.25	655.73	670.99	1120.39	1111.96
Cash and Bank Balances	23.03	64.83	18.70	37.31	30.96	58.95
Loans and Advances	149.67	192.31	262.44	39.60	35.98	40.10
<b>Total</b>	<b>760.53</b>	<b>954.23</b>	<b>1135.04</b>	<b>905.01</b>	<b>1297.21</b>	<b>1349.04</b>
<b>D. Liabilities and Provisions :</b>						
Secured Loans	287.38	580.95	535.29	362.03	548.41	610.53
Unsecured Loans	2.30	10.02	1.80	162.73	129.45	14.95
Current Liabilities and Provisions	178.93	217.14	495.04	140.13	152.44	145.02
<b>Total</b>	<b>468.60</b>	<b>808.11</b>	<b>1032.13</b>	<b>664.89</b>	<b>830.30</b>	<b>770.51</b>
<b>E. Deferred Tax Liability, Net</b>	<b>7.99</b>	<b>10.01</b>	<b>5.05</b>	<b>48.73</b>	<b>80.21</b>	<b>88.91</b>
<b>F. Net Worth (A+B+C-D-E)</b>	<b>766.43</b>	<b>906.91</b>	<b>1060.41</b>	<b>2083.79</b>	<b>2623.43</b>	<b>2808.87</b>
Net Worth represented by						
<b>G. Share Capital</b>						
Equity	76.00	76.00	76.00	76.00	76.00	304.00
Preference						
<b>H. Share Application Money</b>						
<b>I. Reserves and Surplus</b>	690.48	830.93	984.41	2007.79	2547.43	2504.87
<b>J. Miscellaneous Expenditure to the extent not adjusted/ written off</b>	0.04	0.02	0.00	0.00	0.00	0.00
<b>K. Net Worth (G+H+I-J)</b>	<b>766.43</b>	<b>906.91</b>	<b>1060.41</b>	<b>2083.79</b>	<b>2623.43</b>	<b>2808.87</b>

Note :

The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure III, to this report.

As per our report of even date

For N.P.Gandhi & Co.  
Chartered Accountants  
N.P.Gandhi  
Proprietor  
M. No. 44294

For and on behalf of the Board  
of  
Plethico Pharmaceuticals Ltd  
S.A.Patel  
Director

**ANNEXURE II : SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED**

(All amounts in Rs. Million)

	Year/Period Ended					Qtr Ended
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
<b>INCOME</b>				<b>15 Mths</b>		
<b>Sales</b>	1138.91	1203.83	1444.11	2000.28	2221.85	630.89
<b>TOTAL</b>	<b>1138.91</b>	<b>1203.83</b>	<b>1444.11</b>	<b>2000.28</b>	<b>2221.85</b>	<b>630.89</b>
Other Income	91.05	68.27	42.73	375.34	22.95	9.32
<b>TOTAL INCOME (A)</b>	<b>1229.96</b>	<b>1272.09</b>	<b>1486.84</b>	<b>2375.62</b>	<b>2244.80</b>	<b>640.21</b>
<b>EXPENDITURE</b>						
Cost of Goods sold	755.50	672.93	805.65	1075.58	1275.23	339.53
Operating and other Expenses	152.05	242.56	256.09	655.87	192.57	50.88
Employees' Remuneration & Benefits	141.31	164.08	180.52	140.58	103.19	28.56
Financial Charges	20.70	19.08	41.76	58.12	29.19	8.72
Depreciation	6.89	9.64	33.48	53.06	49.61	17.11
Preliminary Expenditure Written Off	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPENDITURE (B)</b>	<b>1076.45</b>	<b>1108.29</b>	<b>1317.49</b>	<b>1983.22</b>	<b>1649.79</b>	<b>444.80</b>
<b>Net Profit before tax and exceptional items (A-B)</b>	<b>153.51</b>	<b>163.81</b>	<b>169.35</b>	<b>392.40</b>	<b>595.01</b>	<b>195.41</b>
Add : Exceptional Items [Income / (Expense)]	0.00	0.00	0.00	698.50	0.00	0.00
<b>Net Profit before Tax</b>	<b>153.51</b>	<b>163.81</b>	<b>169.35</b>	<b>1090.90</b>	<b>595.01</b>	<b>195.41</b>
Taxation [Expense/(Reversal)]						
Current Tax	1.30	1.60	0.90	1.31	2.22	1.29
Earlier Years	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax	0.00	0.00	5.05	33.67	31.48	8.69
Net Profit before adjustments	<b>152.21</b>	<b>162.21</b>	<b>163.40</b>	<b>1055.93</b>	<b>561.30</b>	<b>185.43</b>
<b>ADJUSTMENTS</b>						
<b>Impact of changes in accounting policies and estimates</b>						
Deferred Tax (See Note No.I-1 (e) of Annexure III)	(2.45)	(2.02)				
<b>Other adjustments</b>						
Prior Period Items (See Note No.I-2(a) of Annexure III)		0.60	1.05			
<b>Total Impact of Adjustments</b>	<b>(2.45)</b>	<b>(1.42)</b>	<b>1.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Tax Impact of Adjustments (See Note No.I-3 of Annexure III)						
<b>Total of Adjustments after Tax impact</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Profit, as restated</b>	<b>149.76</b>	<b>160.79</b>	<b>164.45</b>	<b>1055.93</b>	<b>561.30</b>	<b>185.43</b>
<b>Profit and loss account at the</b>						

Plethico Pharmaceuticals Limited

<b>beginning of the year</b>	<b>74.72</b>	<b>53.55</b>	<b>153.40</b>	<b>276.42</b>	<b>410.86</b>	<b>747.64</b>
<b>Balance available for appropriation, as restated</b>	<b>224.49</b>	<b>214.34</b>	<b>317.85</b>	<b>1332.34</b>	<b>972.16</b>	<b>933.07</b>
<b>Appropriations</b>						
Interim Dividend on Equity Shares		19.00				
Proposed Dividend on Equity Shares	19.00		19.00	19.00	19.00	0.00
Dividend on Preference Shares						
Tax on Dividends	1.94	1.94	2.43	2.48	2.66	0.00
Transfer to General Reserve	150.00	40.00	20.00	900.00	202.86	0.00
<b>Balance carried forward, as restated</b>	<b>53.55</b>	<b>153.40</b>	<b>276.42</b>	<b>410.86</b>	<b>747.64</b>	<b>933.07</b>

**ANNEXURE II-A : PROFIT AND LOSS ACCOUNT AS AT JULY 1, 2000 (RESTATED)**

**(All amounts in Rs. Million)**

<b>Profit and Loss Account as at July 1, 2000 (Audited)</b>	<b>81.92</b>
Deferred Tax (See Note No.I-1(e) of Annexure III)	-5.55
Prior Period Items (See Note No.I-2(a) of Annexure III)	-1.65
Current Tax Impact on Adjustments (See Note No.I-3 of Annexure III)	0.00
<b>Profit and Loss Account as at July 1, 2000 (Restated)</b>	<b>74.72</b>

## **ANNEXURE III: NOTES ON ADJUSTMENTS AND SIGNIFICANT ACCOUNTING POLICIES FOR RESTATED FINANCIAL STATEMENTS**

### **(I) NOTES ON ADJUSTMENTS**

#### **1. Changes in Accounting Policies and Estimates**

##### *Deferred Tax*

The Company adopted Accounting Standard 22, ('AS-22') 'Accounting for taxes on Income' issued by the ICAI for the first time in preparing the financial statements for the year ended June 30, 2003. For the purpose of this statement, AS-22 has been applied for the years ended June 30, 2001 and 2002 as if it was applicable since then. Accordingly, the deferred tax asset/liability has been recomputed in the respective years of origination, considering the adjustment on account of changes in the accounting policy and other changes with the corresponding effect to the statement of profits and losses, as restated.

Further, the Accumulated Profit and Loss balance as at April 1, 2000 has been appropriately adjusted to reflect the impact of deferred tax asset/liability as on that date and accordingly the amount earlier adjusted to the opening general reserves for the year ended June 30, 2002, on account of first-time application of the standard has been reversed appropriately in the summary statement of profits and losses, as restated, and summary statement of assets and liabilities, as restated.

#### **2. Other Adjustments**

##### *Prior Period Items*

In the financial statements for the year ended June 30, 2003, 2002, the Company had classified certain items of income/expense as prior period. For the purpose of this statement, the said income/expenses have been appropriately adjusted in the respective years.

#### **3. Current Tax impact of adjustments**

The current tax impact of adjustments have been accordingly stated.

##### **II Significant Accounting Policies:**

##### **A** Basis for preparation of financial statement:

The financial statements have been prepared and presented under the historical cost convention on accrual basis of accounting, in accordance with the accounting principles generally accepted in India and comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956 except where otherwise stated, the accounting principals have been consistently applied.

##### **B** Fixed Assets:

- I** Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non refundable taxes and levies, freight and other incidental expenses related to the acquisition and installation of the respective assets and reducing there from modvat credit received / receivable, if any. Borrowing cost attributable to acquisition or construction of fixed assets are capitalized to respective assets.

- ii The computer software cost are capitalized and recognized as intangible assets in terms of the Accounting Standards 26 on Intangible Assets based on materiality, accounting prudence and significant economic benefit therefrom expected to flow for a period longer than one year. Capitalized costs include direct costs of implementation and expenses directly attributable to the development of software.
  - iii Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet Date and the cost of fixed assets not put for their intended use before such date are disclosed under capital work in progress.
- C Depreciation:**
- i Depreciation on fixed assets (except lease hold land and information technology assets) is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
  - ii Computer Software cost capitalized is amortized over estimated useful life of 3–5 years as estimated at the time of capitalization.
- D Inventories:**
- i Stock of Raw Materials and Finished Goods are valued at lower of cost or realizable value. The cost of Raw Materials is determined on FIFO basis. The cost of Finished Goods produced is determined on weighted average basis whereas cost of Finished Goods traded is determined on FIFO basis.
  - ii The stocks of Packing Materials, Consumables Stores, Promotional Materials & Stock-in-Process are valued at cost. The cost of Packing Materials, Consumable Stores & Promotional Material is determined on FIFO basis. The cost of Work In Progress produced is determined on weighted average basis.
- E Liability for Retirement Benefits:**
- The Company contributes to a Gratuity Fund, which has taken up a Group Policy with Life Insurance Corporation of India for future payments of gratuities to employees. The contribution to the Gratuity fund is charged to revenue.
- Leave encashment is charged to revenue on accrual basis.
- F Investments:**
- i Long Term Investments are stated at cost and provision is made to recognize any diminution in value other than that of a temporary nature.
  - ii Current investments are carried at lower of cost and market value. Diminution in value is charged as a loss in profit and loss account.
  - iii Investments in partnership firms as a Partner are stated as contribution made on account of capital.
- G Foreign Exchange Transactions:**
- i The Transactions in foreign currency have been accounted at the exchange rate prevailing on the date of the transaction. Year-end receivables / payables have been translated at the year-end rate of exchange. The difference on account of fluctuation in the rate of exchange as prevailing on sales / purchase transaction date and on realization / payment / year-end date are recognized in Profit & Loss Account. Investment in shares in foreign subsidiaries and other companies abroad are expressed in reporting currencies at the rate of exchange prevailing at the time when the original investments were made.
- H Research and Development:**
- Research and Development costs (other than cost of fixed assets acquired) are charged as an expense in the year in which they are incurred.
- I Income/Expenditure during construction period:**
- Revenue Expenditure during construction are capitalized to respective assets. Similarly revenue incomes during construction are reduced from respective assets.
- J Contingent Liabilities:**
- Unprovided contingent liabilities are disclosed in the accounts by way of notes giving the nature and quantum of such liabilities.
- K Preliminary/Pre-Operative Expenses:**

- L** Preliminary & Pre-operative expenses have been amortized on the basis of 1/5<sup>th</sup> of the total expenses.
- Deferred Tax**  
Deferred tax is accounted for by computing the tax effect of Timing differences, which arises during the year and reverse in subsequent period.

ANNEXURE IV-A: STATEMENT OF CASH FLOWS, AS RESTATED

(All amounts in Rs. Million)

	Year/Period Ended					
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				15 Mths		
<b>A. Cash flow from operating activities</b>						
<b>Profit before taxation &amp; exceptional items</b>	<b>153.51</b>	<b>163.81</b>	<b>169.35</b>	<b>392.40</b>	<b>595.01</b>	<b>195.41</b>
Exceptional Items	0.00	0.00	0.00	698.50	0.00	0.00
<b>Profit before taxation</b>	<b>153.51</b>	<b>163.81</b>	<b>169.35</b>	<b>1090.90</b>	<b>595.01</b>	<b>195.41</b>
<b>Adjustments for:</b>						
Depreciation	6.89	9.64	33.48	53.06	49.61	17.11
(Profit) / Loss on sale of fixed assets	0.26	0.94	0.19	0.18	(0.06)	0.00
(Profit) / Loss on sale of Investments	0.00	0.00	(0.01)	351.29	0.00	0.00
Interest Income	(3.44)	(7.04)	(2.52)	(1.60)	(1.20)	(0.22)
Dividend Income	0.00	0.00	0.00	(343.17)	0.00	0.00
Interest Expense	24.14	26.11	44.29	59.72	30.39	8.94
Preliminary expenses written off	0.02	0.02	0.02	0.00	0.00	0.00
Agriculture Income	(0.22)	(1.14)	(1.01)	(0.85)	(0.75)	(0.16)
Share of Loss / (Profit) from Partnership Firms	(74.65)	(51.64)	7.95	8.09	0.00	0.00
<b>Operating profit before working capital changes</b>	<b>106.51</b>	<b>140.71</b>	<b>251.73</b>	<b>1217.63</b>	<b>673.00</b>	<b>221.09</b>
<b>Movements in working capital :</b>						
Decrease / (Increase) in debtors & Advances	(153.79)	(102.93)	(240.60)	207.58	(445.78)	4.31
Decrease / (Increase) in inventories	32.75	(48.97)	13.67	41.06	47.23	(28.15)
Increase / (Decrease) in current liabilities	2.34	59.63	259.97	(356.41)	11.22	(8.72)
Cash generated from operations	<b>-12.19</b>	<b>48.44</b>	<b>284.76</b>	<b>1109.85</b>	<b>285.67</b>	<b>188.54</b>
Agriculture Income Receipt	0.22	1.14	1.01	0.85	0.75	0.16
Interest Paid	(24.14)	(26.11)	(44.29)	(59.72)	(30.39)	(8.94)
Direct taxes paid	(0.35)	(0.88)	(2.90)	(0.90)	(1.32)	0.00
<b>Net cash from / (used in) operating activities</b>	<b>-36.47</b>	<b>22.59</b>	<b>238.59</b>	<b>1050.08</b>	<b>254.72</b>	<b>179.77</b>
<b>B. Cash flows from investing activities</b>						
Purchase of fixed assets	(148.27)	(324.48)	(228.28)	(136.40)	(45.46)	(0.75)
Proceeds from sale of fixed assets	1.06	2.30	2.16	1.41	0.24	0.01
Sales of Investments	0.00	23.30	0.71	0.00	0.00	0.00

Purchase of Investments	(0.13)	0.00	0.00	(848.11)	(348.66)	(98.88)
Interest received	3.44	7.04	2.52	1.60	1.20	0.22
Dividends received	0.00	0.00	0.00	343.17	0.00	0.00
(Profit) / Loss on sale of Investments	0.00	0.00	0.00	(351.29)	0.00	0.00
Share of Loss / (Profit) from Partnership Firms	74.65	51.64	(7.95)	(8.09)	0.00	0.00
<b>Net Cash used in investing activities</b>	<b>(69.25)</b>	<b>(240.20)</b>	<b>(230.84)</b>	<b>(997.71)</b>	<b>(392.69)</b>	<b>(99.40)</b>
<b>C. Cash flows from financing activities</b>						
Proceeds from borrowings	106.32	301.29	0.00	0.00	153.10	(52.38)
Repayment of borrowings	0.00	0.00	(53.88)	(12.33)	0.00	0.00
Dividends paid	0.00	(38.00)	0.00	(19.00)	(19.00)	(0.00)
Tax on dividends paid	0.00	(3.88)	0.00	(2.43)	(2.48)	(0.00)
<b>Net Cash from / (used in) financing activities</b>	<b>106.32</b>	<b>259.41</b>	<b>(53.88)</b>	<b>(33.76)</b>	<b>131.62</b>	<b>(52.38)</b>
<b>Net increase in cash and cash equivalents</b>						
<b>(A + B + C)</b>	0.60	41.80	(46.13)	18.61	(6.35)	27.99
<b>Cash and cash equivalents at the beginning of the period</b>	22.42	23.03	64.83	18.70	37.31	30.96
<b>Cash and cash equivalents at the end of the period</b>	23.03	64.83	18.70	37.31	30.96	58.95
<b>Components of cash &amp; cash equivalents as at</b>	<b>JUNE 30, 2002</b>	<b>JUNE 30, 2002</b>	<b>JUNE 30, 2003</b>	<b>SEP 30, 2004</b>	<b>SEP 30, 2005</b>	<b>DEC 31, 2005</b>
Cash and cheques on hand	0.89	1.02	0.99	0.68	0.13	2.60
With scheduled banks						
on current account	13.83	19.63	2.54	5.19	23.29	48.63
on deposit account	8.31	44.18	15.18	31.44	7.54	7.72

ANNEXURE IV-B : DETAILS OF OTHER INCOME AND OTHER INCOME INCLUDING  
EXCEPTIONAL ITEMS

(All amounts in Rs. Million)

	Year/Period Ended					Qtr End
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004 (15 Mths)	SEP 30, 2005	DEC 31, 2005
Other Income, as per Summary Statement of Profits and Losses, as restated (A)	91.05	68.27	42.73	375.34	22.95	9.32
Other Income, including Exceptional Items (B)	91.05	68.27	42.73	1073.84	22.95	9.32
Net Profit before tax, as per Summary Statement of Profits and Losses, as restated (C)	153.51	163.21	168.30	1090.90	595.01	195.41
Percentage (A/C)	0.59	0.42	0.25	0.34	0.04	0.05
Percentage (B/C)	0.59	0.42	0.25	0.98	0.04	0.05

Sources and Particulars of	Nature	Year/Period Ended					
		JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004 (15 Mths)	SEP 30, 2005	DEC 31, 2005
Other Income							
Dividend Income	Non-recurring				343.17		
Foreign Exchange Fluctuation	Recurring	4.75	9.25	2.04	3.74		
Central Excise Duty Refund	Non-recurring	0.00	0.00	10.82	4.25	0.12	0.12
Export Incentives	Recurring	8.25	1.52	24.55	14.72	8.10	5.10
Profit \ ( Loss ) from Partnership Firm	Non-recurring	74.65	51.64	(7.95)	(8.09)		
Miscellaneous balances written back	Non-recurring			2.30			
Processing Charges received	Recurring	2.01	3.02	7.42	11.39	11.10	2.82
Others	Recurring	1.39	2.84	3.55	6.16	3.63	1.28
Other Income as per restated profit and loss account (D)		<b>91.05</b>	<b>68.27</b>	<b>42.73</b>	<b>375.34</b>	<b>22.95</b>	<b>9.32</b>
Sources and Particulars of	Nature	Year/Period Ended					
Other Income including		JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004 (15 Mths)	SEP 30, 2005	DEC 31, 2005
Exceptional Items							
Other Income as per (D) above		<b>91.05</b>	<b>68.27</b>	<b>42.73</b>	<b>375.34</b>	<b>22.95</b>	<b>9.32</b>
Add: Exceptional Items Slump Sale of P & P Allopathic Division	Non-recurring				698.50		
Total Exceptional Items (E)		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>698.50</b>	<b>0.00</b>	<b>0.00</b>
Other Income including exceptional items (D+E)		<b>91.05</b>	<b>68.27</b>	<b>42.73</b>	<b>1073.84</b>	<b>22.95</b>	<b>9.32</b>

Note :

1. The details of "Other Income" disclosed above are stated after adjusting the effect of restatement. The same have been shown gross of restatement in the Summary Statement of Profits and Losses, as restated and the adjustments have been listed separately under the head "Adjustments" therein.

2. Exceptional items given in the above table refer to items which have been grouped as "Exceptional items" in the summary Statement of Profits and Losses as restated, but are in the nature of "Other Income."

3. The classification of "Other Income" as recurring or non-recurring and related or not related to business activity is based on the current operations and business activity of the Company as determined by Management.

4. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited.

ANNEXURE IV-C : DETAILS OF RATES OF DIVIDEND

Declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders, in their discretion and will depend on a number of factors, including but not limited to company's earnings, capital requirements and overall financial condition. The dividends declared by the Company during the last five fiscal years are presented below.

(All amounts in Rs. Million, unless otherwise stated)

	Face Value (Rs. Share)	Year/Period Ended					Qtr Ended
		JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
<b>Class of Shares</b>					<b>15 Mths</b>		
Equity share capital	10	76.00	76.00	76.00	76.00	76.00	304.00
<b>Dividend on Equity Shares</b>							
Interim Dividend							
Rate		-	25.00%	-	-	-	-
Amount		-	19.00	-	-	-	-
Final Dividend							
Rate		25.00%	-	25.00%	25.00%	25.00%	-
Amount		19.00	-	19.00	19.00	19.00	-
Corporate Dividend Tax		1.94	1.94	2.43	2.48	2.66	-

Note :

1. The amounts paid as dividend or bonus in the past is not indicative of company's dividend policy in the future.
2. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited

ANNEXURE IV-D : CAPITALISATION STATEMENT AS AT DECEMBER 31, 2005

(All amounts in Rs. Million)

	Pre-issue as at 30-Sep-05	Pre-issue as at 31-Dec-05	Post Issue*
Short-term debt (A)	195.59	368.05	
Long-term debt (B)	482.27	257.42	
Total debt (C = A + B)	<b>677.86</b>	<b>625.48</b>	
Shareholders' funds			
Equity share capital	76.00	304.00	
Reserves, as restated	2547.43	2504.87	
Total shareholders' funds (D)	<b>2623.43</b>	<b>2808.87</b>	
Long-term debt/Shareholders' funds (B/D)	0.18	0.09	
Total debt/ Shareholders' funds (C/D)	0.26	0.22	

\* Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process.

**Notes:**

1. Short term debt represents debts which are due within twelve months from December 31, 2005 and include current portion of vehicle loans and unsecured loans.
2. Long-term debt represents debt other than short-term debt, as defined above.
3. Reserves include General Reserve, Share Premium Account and accumulated balance of Profit and Loss Account as at December 31, 2005
4. Subsequent to September 30, 2005, the shareholders have approved bonus issue of equity shares in ratio of three equity shares for every one held which has increased the equity share capital from Rs. 76.00 million as at September 30, 2005 to Rs. 304.00 million post September 30, 2005 with subsequent effect of reducing Reserves & Surplus to tune of Rs.228 million
5. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited as at December 31, 2005.

ANNEXURE IV-E : DETAILS OF LOANS

(All amounts in Rs. Million)

	Year/Period Ended					
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				<b>15 Mths</b>		
Term Loans						
from banks	110.00	100.00	80.00	172.77	139.73	271.14
from others		210.00	201.50		81.25	325.00
Total	<b>110.00</b>	<b>310.00</b>	<b>281.50</b>	<b>172.77</b>	<b>220.98</b>	<b>596.14</b>
Working Capital Facilities from Banks and Financial Institutions						
rupee loan	176.36	268.61	248.18	185.04	133.99	9.74
foreign currency loans					190.70	2.15
Vehicle / House Loans	1.02	2.34	5.61	4.23	2.74	2.50
Total Secured Loans	<b>287.38</b>	<b>580.95</b>	<b>535.29</b>	<b>362.03</b>	<b>548.41</b>	<b>610.54</b>

	Year/Period Ended					
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				<b>15 Mths</b>		
Long Term						
from other than banks	2.30	10.02	1.80	12.44	13.33	13.46
Short Term						
from banks	0.00	0.00	0.00	0.00	0.00	0.00
from others	0.00	0.00	0.00	150.29	116.12	1.49
Total Unsecured Loans	<b>2.30</b>	<b>10.02</b>	<b>1.80</b>	<b>162.73</b>	<b>129.45</b>	<b>14.95</b>

Notes :

The details of principal terms and conditions of the secured loans and unsecured loans outstanding as at December 31, 2005 are disclosed in Annexure IV-E-1

**ANNEXURE IV-E-1 : DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF LOANS  
OUTSTANDING AS AT SEPT 30, 2005  
SECURED LOANS**

(All amounts in Rs. Million)

**Term Loans from banks and others (Rs. 220.98 Mn)**

Sr.No	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1	Bank of Baroda	121.14	LIBOR+300bps	Repayable in equal quarterly installments. Last installment due in March 2009	Secured on first charge basis by (i) Equitable mortgage of company's land and building situated at Khasra No. 821/1, Village Dharavara, Tehsil Depalpur, Indore and at Khasra No. 285/1/2, Village Gari Pipliya, Manglia, Indore. (ii) Hyp. Of Plant and Machinery installed in the aforesaid factory premises situated at Khasra No. 821/1, Village Dharavara, Tehsil Depalpur, Indore and at Khasra No. 285/1/2, Village Gari Pipliya, Manglia, Indore (iii) Personal Guarantee of Mr. Shashikant Patel and Mr. Chirag Patel, Directors of the company and Mr. Bhaskar Patel erstwhile Director of the company.
2	G.E.Capital Service	75.00	7.15%	Repayable in quarterly installments. Last installment is due in December 2008	Secured on first charge basis by (i) Equitable mortgage on company's land and building situated at Khasra No. 821/2, Village Dharavara, Tehsil Depalpur, Indore (ii) Hyp. of Plant and Machinery installed in the aforesaid factory premises situated at Khasra No. 821/2, Village Dharavara, Tehsil Depalpur, Indore and (iii) Personal Guarantee of Mr. Shashikant Patel and Mr. Chirag Patel, Directors of the company and Mr. Bhaskar Patel erstwhile Director of the company.
3	IDBI Limited	250.00	7.40%	Repayable in bulet installments from Oct-Dec 2006	Secured by Personal Guarantee of Mr. Shashikant Patel.
4	State Bank of Indore	150.00	8.00%	Repayable in quarterly installments. Last installment is due in December 2009	secured on first charge basis by (i) Equitable mortgage of company's land and building situated at Khasra No. 285/1/1, Village Gari Pipliya, Manglia, Indore. (ii) Hyp. Of Plant and Machinery installed in the aforesaid factory premises situated at Khasra No. 285/1/1, Village Gari Pipliya, Manglia, Indore (iii) Personal Guarantee of Mr. Shashikant Patel and Mr. Chirag Patel, Directors of the company

### Working Capital Facilities

Sr. No	Name of the Institution	Amount	Interest Rate	Security
1	Bank Of Baroda- Book Debt	0.92	9% (PLR – 1.50%)	On first charge basis by Hypothecation of company's entire stocks and book debts (pari pasu with Central Bank of India).  On second charge basis by (i) Equitable mortgage of company's land and building situated at Khasra No. 821/1, Village Dharavara, Tehsil Depalpur, Indore and at Khasra No. 285/1/2, Village Gari Pipliya, Manglia, Indore. (ii) Hyp. Of Plant and Machinery installed in the aforesaid factory premises situated at Khasra No. 821/1, Village Dharavara, Tehsil Depalpur, Indore and at Khasra No. 285/1/2, Village Gari Pipliya, Manglia, Indore (pari pasu with Central Bank of India). Personal Guarantee of Mr. Shashikant Patel and Mr. Chirag Patel, Directors of the company and Mr. Bhaskar Patel, erstwhile Director of the company.
	Bank Of Baroda- Cash Credit	5.36	9% (PLR – 1.50%)	
	Bank Of Baroda- EPC	0.00	6.50%	
	Bank Of Baroda- PSDL	0.86	6.50%	
	Bank Of Baroda- FCNR	2.15	LIBOR +300bps	
	Bank Of Baroda- PCFC	1.88	LIBOR + 75bps	
2	Central Bank of India-PSDL	0.73	6.50%	On first charge basis by Hypothecation of company's entire stocks and book debts (pari pasu with Bank of Baroda). On second charge basis by (i) Hyp. Of Plant and Machinery installed in the factory premises situated at Khasra No. 821/1, Village Dharavara, Tehsil Depalpur, Indore and at Khasra No. 285/1/2, Village Gari Pipliya, Manglia, Indore (pari pasu with Bank of Baroda).  Personal Guarantee of Mr. Shashikant Patel and Mr. Chirag Patel, Directors of the company and Mr. Bhaskar Patel, erstwhile Director of the company.

Vehicle / House Loan (Rs. 2.74 million)					(Rs. in Million)
Sr. No	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1	IDBI Bank Ltd	2.18	7.75%	Monthly EMI of Rs.42526	hypothecation of Flat
2	HDFC Bank Ltd	0.05	8.50%	Monthly EMI of Rs.9672	hypothecation of Vehicle
3	Citi Bank	0.19	9.50%	Monthly EMI of Rs.19950	hypothecation of Vehicle
4	Citi Bank	0.08	10.00%	Monthly EMI of Rs.6795	hypothecation of Vehicle

**UNSECURED LOANS**

(Rs in millions)

Sr.No	Name of the Institution	Amount	Interest Rate	Repayment Terms
1	Sales Tax Deferred - Manglia	1.18	Nil	Tax Collected for the year 2001-02 onwards will be paid in the year 2006-07 onwards
2	Sales Tax Deferred - Dharawara	12.28	Nil	Tax Collected for the year 2001-02 onwards will be paid in the year 2006-07 onwards
3	C.S.Patel	1.49	Nil	On Demand

ANNEXURE IV-F : DETAILS OF INVESTMENTS

(All amounts in Rs. Million)

	Year/Period Ended					Qtr Ended
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
<b>Quoted Investments</b>				<b>15 Mths</b>		
In Promoter Group Companies	-	-	-	-	-	-
In Associate Companies	-	-	-	-	-	-
Others	0.00	0.70	0.00	0.00	0.00	0.00
<b>Total (A)</b>	0.00	0.70	0.00	0.00	0.00	0.00
<b>Unquoted Investments</b>						
In Promoter Group Companies						
In Associate Firm	78.33	54.33	54.33	0.00	0.00	0.00
Others	0.00	0.00	0.00	902.44	1251.09	1349.97
<b>Total (B)</b>	78.33	54.33	54.33	902.44	1251.09	1349.97
<b>Grand Total C = (A+B)</b>	78.33	55.03	54.33	902.44	1251.09	1349.97
Less : Provision for diminution in value of investments (D)	0.00	0.00	0.00	0.00	0.00	0.00
Net Investment C-D	78.33	55.03	54.33	902.44	1251.09	1349.97
Market Value of Quoted Investments	-	0.70	-	-	-	-

Notes:

1. Associate Firm's refers to the following :

- i) Plethico Pharmaceuticals.
- ii) Shivata Export Corporation.
- ii) Plethico Pharmaceuticals ( Liq.Tab.Div.)

2. The list of entities classified as 'Promoter', 'Associate Companies' and 'Promoter Group Companies' is determined by the Management and relied upon by the Auditors. The Auditors have not performed any procedure to determine whether this list is accurate or complete.

3. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited.

ANNEXURE IV-G : DETAILS OF SUNDRY DEBTORS

(All amounts in Rs. Million)

	Year/Period Ended					
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				<b>15 Mths</b>		
Debts outstanding for a period exceeding six months	170.69	119.22	79.08	17.63	436.13	191.03
other debts	254.27	366.03	576.65	653.36	684.26	920.93
	424.97	485.25	655.73	670.99	1120.39	1111.96
Unsecured—Considered good	424.97	485.25	655.73	670.99	1120.39	1111.96
Unsecured— Considered doubtful						
	424.97	485.25	655.73	670.99	1120.39	1111.96
Less: Provision for doubtful debts	-	-	-	-	-	-
<b>Total Debtors</b>	424.97	485.25	655.73	670.99	1120.39	1111.96

Selective Financial Information on Sundry Debtors as at December 31, 2005 is as follows :

	As at Dec. 31, 2005
<b>Debts outstanding for a period exceeding six months</b>	
from Promoter Group Companies, considered good	0.00
from Associate Companies & Firms, considered good	0.00
from Others	
Considered good	191.03
Considered doubtful	0.00
<b>Total (A)</b>	191.03
Other debts (Considered good) (B)	920.93
<b>Total (A + B)</b>	1111.96
Less : Provision for doubtful debts	-
<b>Total Debtors</b>	1111.96

Notes:

- The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited.

ANNEXURE IV-H : DETAILS OF LOANS AND ADVANCES

(All amounts in Rs. Million)

	Year/Period Ended					Qtr End
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				<b>15 Mths</b>		
Loans to Subsidiaries						
- In Foreign Currency	0.00	0.00	0.00	0.00	0.00	0.00
- In Indian Rupees	0.00	0.00	0.00	0.00	0.00	0.00
Deposits						
- With customers as security deposits						
- Others	10.04	9.18	12.38	9.10	8.98	8.94
Advance payment against Taxes	8.92	16.94	13.93	3.61	4.72	8.12
Advances recoverable in cash or kind or for value to be received (see table below)						
- Considered Good	127.25	166.19	236.13	26.89	22.28	23.04
- Considered Doubtful	3.46	0.00	0.00	0.00	0.00	0.00
Less Provision for doubtful loans	0.00	0.00	0.00	0.00	0.00	0.00
Total	149.67	192.31	262.44	39.60	35.98	40.10

Selective Financial Information on Loans and Advances as at December 31, 2005 is as follows:

(All amounts in Rs. Million)

			As at 31-Dec- 05
Loans to subsidiaries (Promoter Group Companies)			
=- In Foreign Currency			
- In Indian Rupees			
Deposits			
- With customers as security deposits			
- With Promoter Group Companies			
- Others	8.94		8.94
Advances recoverable in cash or kind or value to be received*			
Considered Good			
- From Promoter Group companies			
- From Associate companies			
- From Others	31.16		
Considered Doubtful			
- From Others			31.16
			40.10
Less: Provision for doubtful loans and advances			0.00
			40.10

1. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited.

ANNEXURE IV-I : DETAILS OF CONTINGENT LIABILITIES

The year wise break up of contingent liabilities is as under

(All amounts in Rs. Million)

	Year/Period Ended					Qtr Ended
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				<b>15 Mths</b>		
Guarantees given on behalf of associate firms in respect of loans granted to them by banks	12.50	0.00	0.00	0.00	0.00	0.00
Guarantees given on behalf of other companies in respect of loans granted to them by banks	--	--	--	--	--	--
Unclaimed liability on partly paid up shares	--	--	--	--	--	--
Claims against the Company not acknowledged as debts	--	--	--	--	--	--
Bills discounted with banks	--	--	--	--	--	--
Pending Bank Gaurantee	5.81	9.67	17.16	12.16	21.79	13.19
Pending Letter of Credit	40.59	89.71	75.41	25.18	1.05	7.98
Unexecuted Contract	41.23	79.31	3.37	4.58	0.89	0.32
	100.13	178.69	95.94	41.91	23.73	21.49

The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited.

ANNEXURE IV-J-1 : DETAILS OF THE LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIPS

Particulars	Year ended 30-Jun-03	Period ended 30-Sep-04 (15 Mths)	Year ended 30-Sep-05	Quarter ended 31-Dec-05
Nature of relationship	Name of Party	Name of Party	Name of Party	Name of Party
<b>Subsidiary Companies</b>				
<b>Associates</b>	Shivata Export Corporation  Plethico Pharmaceuticals - (Liquid Tab Division) Plethico Pharma	Shivata Export Corporation  Plethico Pharmaceuticals - (Liquid Tab Division) Plethico Pharma		
<b>Key Management Personnel</b>	Bhaskar A. Patel Shashikant .A. Patel Chirag.S. Patel	Bhaskar A. Patel Shashikant .A. Patel Chirag.S. Patel	Bhaskar A. Patel Shashikant .A. Patel Chirag.S. Patel Gaurvi K. Parikh	Shashikant .A. Patel Chirag.S. Patel Gaurvi K. Parikh
<b>Relatives of Key Management Personnel RKMP</b>	Lata B. Patel Jayshree S. Patel Nikhil B.Patel Gita N. Patel Ritu C.Patel Gaurvi K. Parikh	Lata B. Patel Jayshree S. Patel Nikhil B.Patel Gita N. Patel Ritu C.Patel Gaurvi K. Parikh	Lata B. Patel Jayshree S. Patel Nikhil B.Patel Gita N. Patel Ritu C.Patel	Jayshree S. Patel Ritu C.Patel Kartik Parikh
<b>Related parties where KMP / RKMP exercise significant influence</b>	Shivata Exports Limited  Plazma Laboratories Pvt. Ltd. Plethico Laboratories Pvt. Ltd. Plethico Products  S.S. Healthcare Plethico Finance Limited Ethico Drugs & Ch.Mfg.Co.P.Ltd.	Shivata Exports Limited  Plazma Laboratories Pvt. Ltd. Plethico Laboratories Pvt. Ltd. Plethico Products  S.S. Healthcare Plethico Finance Limited Ethico Drugs & Ch.Mfg.Co.P.Ltd.	Shivata Exports Limited  Plazma Laboratories Pvt. Ltd. Plethico Laboratories Pvt. Ltd. Plethico Products  S.S. Healthcare Plethico Finance Limited Ethico Drugs & Ch.Mfg.Co.P.Ltd.	Plethico Laboratories Pvt. Ltd. Plazma Laboratories Pvt. Ltd. Plethico Products  Plethico Finance Limited
<b>Employee Funds</b>		Employee Group Gratuity Scheme	Employee Group Gratuity Scheme	Employee Group Gratuity Scheme

Notes :

1. The parties listed under the category 'subsidiaries' are the related parties where control exists during each of the respective years
  2. The classification and the disclosure of information of related parties for each of the years is as per the audited standalone financial statements of Plethico Pharmaceuticals Limited for the respective years, which have been adjusted for restatements.
  3. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited
- \* Only for part of the year

As per our report of even date

For N.P.Gandhi & Co.

Chartered Accountants

N.P.Gandhi

Proprietor

M. No. 44294

Indore

Date : 18th January,  
2006

For and on behalf of the Board of  
Plethico Pharmaceuticals

Ltd

S.A.Patel

Director

Indore

Date : 18th January, 2006

ANNEXURE IV-J-2: DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND DETAILS OF OUTSTANDING BALANCES

(All amounts in Rs. million)

Particulars	Nature of Relationship	Year/Period ended			
		30-Jun-03	30-Sep-04	30-Sep-05	31-Dec-05
<b>Purchases &amp; Sales</b>			<b>15 Mths</b>		
Purchase of goods and services	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	19.37	14.90	10.68	0.00
Purchase of fixed assets (including intangibles)	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Sale of goods	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	12.00	31.58		
Sale of fixed assets	Associates Where KMP/RKMP exercise significant Influence KMP Relative of KMP		102.22		
Expenses :					
Managerial Remuneration	Key Management Personnel	1.89	7.47	5.16	0.73
Rent/ Hotel Charges Paid	Where KMP/RKMP exercise significant Influence KMP	1.57	1.28	0.22	0.00
Discount given on Sale	Subsidiary Companies				
Interest paid	Where KMP/RKMP exercise significant Influence	0.18	0.21	0.22	0.00
Loss from Partnership Firms	Associates	7.95	8.10		
Contribution to various funds	Employee benefit plans				
<b>Income</b>					
Rent Received	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Interest Received	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Dividend Received/ Accrued	Subsidiary Companies Associates Where KMP/RKMP exercise				

**Plethico Pharmaceuticals Limited**

Finance Loans / Deposit given	significant Influence Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence				
Guarantees given	Subsidiary Companies Where KMP/RKMP exercise significant Influence				
Subscription to/ Purchase of Equity Shares	Subsidiary Companies				
Subscription to/ Purchase of Preference Shares	KMP RKMP Subsidiary Companies  Associates Where KMP/RKMP exercise significant Influence				
Sale/ Redemption of Investments	KMP RKMP  Subsidiary Companies Where KMP/RKMP exercise significant Influence				
Outstanding Balances Investments Associates	KMP RKMP  Subsidiary Companies Where KMP/RKMP exercise significant Influence				
Sundry Creditors	Associates Where KMP/RKMP exercise significant Influence Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence Employee Fund				
Sundry Debtors	Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	51.20			
Loans/ Advances Received	Relatives of KMP Subsidiary Companies Associates Where KMP/RKMP exercise significant Influence	12.56			
Advances to Associates	Associates	3.54	3.72		
		168.28			

**Plethico Pharmaceuticals Limited**

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Corporate Guarantees	Associates Where KMP/RKMP exercise significant Influence				
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Notes :

1. The classification and the disclosure of information of related parties for each of the years is as per the audited standalone financial statements of Plethico Pharmaceuticals Limited for the respective years, which have been adjusted for restatements as listed in Annexure III.

ANNEXURE IV-J-3 : DISCLOSURE OF SIGNIFICANT TRANSACTIONS  
WITH RELATED PARTIES

(All amounts in Rs. million)

Type of the Transaction	Type of relationship	Name of entity / Beneficiary Party	Year/Period ended			
			30-Jun-03	30-Sep-04	30-Sep-05	31-Dec-05
				<b>15 Mths</b>		
Purchase of fixed assets (including intangibles)	Subsidiary					
Sale of Fixed Assets	KMP RKMP					
Sale of investments	Subsidiary					
Loan / Deposits given						
Sale of goods	KMP/RKMP exercise significant influence	S.S.Health Care Plethico Pharmaceuticals Liq Tab		102.22		
<b>Total</b>	Associate Firm		12.00	31.58		
			<b>12.00</b>	<b>133.80</b>		
Discount given on sale						
Purchase of goods and services rendered	KMP/RKMP exercise significant influence	Plethico Laboratories Pvt Ltd Plethico Products Ethico Drugs & Chem. Mfg. Pvt Ltd Plazma Laboratories Pvt Ltd	2.23 6.49 5.43 5.22	1.45 5.18 4.29 3.98	0.86 4.16 2.41 3.25	
<b>Total</b>			<b>19.37</b>	<b>14.90</b>	<b>10.68</b>	
Interest Received						
Interest Paid	KMP/RKMP exercise significant influence	Plethico Finance Ltd	0.18	0.21	0.22	
Loss / (Profit) from Partnership Firm	Associate Firm	Plethico Pharmaceuticals	8.00	7.85		

Plethico Pharmaceuticals Limited

		Liq Tab Plethico Pharmaceuticals Shivata Export Corporation	(0.04)  (0.01)	0.26  (0.01)		
<b>Total</b> Dividends Received / Accrued			<b>7.95</b>	<b>8.10</b>		
Rent Received						
Rent Paid	KMP/RKMP exercise significant influence	Ethico Drugs & Chem. Mfg. Pvt Ltd  Plethico Products Plazma Laboratories Pvt Ltd Plethico Laboratories Pvt Ltd Shivata Export Corporation	0.08  0.60  0.08  0.30  0.51	0.10  0.53  0.09  0.15  0.41	0.03  0.00  0.04  0.15  0.00	
<b>Total</b>			<b>1.57</b>	<b>1.28</b>	<b>0.22</b>	

ANNEXURE IV-K : STATEMENT OF ACCOUNTING RATIOS (ON RESTATED NUMBERS)

	Year/Period Ended					
	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003	SEP 30, 2004	SEP 30, 2005	DEC 31, 2005
				<b>15 Mths</b>		
Earnings per Share (Rs.)	19.71	21.16	21.64	138.94	73.86	6.10
Return on Net Worth %	19.54%	17.73%	15.51%	50.67%	21.40%	6.60%
Net Asset Value per Equity Share (Rs.)	100.85	119.33	139.53	274.18	345.19	92.40
Total Debt/ Equity Ratio	0.61	0.89	0.97	0.32	0.32	0.27
Interest Coverage Ratio	8.42	9.59	5.05	19.77	21.38	23.41
Debt Service Coverage Ratio	10.66	1.22	3.53	3.44	10.02	7.18
Weighted average number of equity shares outstanding during the year/ period	7600000	7600000	7600000	7600000	7600000	30400000
Total number of equity shares outstanding at the end of the year	7600000	7600000	7600000	7600000	7600000	30400000

Notes :

1. The ratios have been computed as below :

Earnings per share (Rs.)

$$\frac{\text{Net profit as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$$

Return on Net Worth (%)

Net profit after tax, as restated

Net worth

Net Assets Value per Equity Share (Rs.)

Net worth less all preference capital

Number of equity shares outstanding at the end of the year

Total Debt/ Equity Ratio

Long term debt + Short term debt

Equity Share Capital + Reserves and Surplus

Interest Coverage Ratio

Profit before interest and taxes ('PBIT')

Interest expenses

Debt Service Coverage Ratio

Profit after tax + Depreciation + Interest on Long Term Loan

Interest on Long Term Loan + Repayment of Long Term Loan

Notes :

1. Networth means Equity Share Capital + Reserves and Surplus – Miscellaneous expenditure not written off or adjusted.

2. The figures disclosed above are based on the standalone restated financial statements of Plethico Pharmaceuticals Limited.

ANNEXURE IV-L : STATEMENT OF TAX SHELTERS						
(All amounts in Indian Rs)						
		Financial Year Ended				
		March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
<b>Profit before current and deferred taxes</b>	A	35221671	84260512	46732126	352751308	1235995411
Tax rate (%)	B	39.5500%	35.7000%	36.7500%	35.8750%	35.5925%
Tax impact	C= A*B	13930171	30081003	17174056	126549532	439921667
Adjustments						
<b>Permanent Differences</b>						
Deduction under section 80HHC of the Income-tax Act 1961 ('the Act')		(9,212,582)	0			
Other Deductions under Chapter VI-A of the Act		(125,000)				
Deduction U/s .10A						(1214518516)
Share of Profit from PartnerShip Firms						
Exempt u/s 10 (2) (A)		(16,246,527)	(74,801,339)	(33605562)	8092330	
(Profit) / Loss on sale of Investment, Net					531797841	(180519618)
LTCG on Sale of P&P Allopathic Div.					(698495581)	
Dividend exempt under the Act					(343167724)	
Prior Period Expenses			600000	1050000		
Wealth tax Disallowed u/s 40 (a) (iia)		24525	37250	12500	30280	69815
Agriculture Income		(268,258.00)	(885520)	(1198745)	(712379)	(938038)

Plethico Pharmaceuticals Limited

Donation disallowed under the Act		164101	0	18402	25500	201251
Others		338628	239520	(557584)	206220	116548
<b>Total</b>	<b>D</b>	<b>(25,325,113)</b>	<b>(74,810,089)</b>	<b>(34,280,989)</b>	<b>(502,223,513 )</b>	<b>(1,395,588,558 )</b>
<b>Temporary Differences</b>						
Difference between book depreciation and tax depreciation		(7,254,936)	(6,052,969)	(95,988,254)	(93573593)	(91761478)
Loss/ ( Profit) on sale/discard of Fixed Assets		208427	996080	(33520)	(3102829)	38560
Provision for doubtful debts				1653000	(1578000)	
Provision for expenses not deductible under the Act, Net		436649	426865	1769663	6064215	4532493
Disallowances u/s.40 (a) (ia)						221095
Total	<b>E</b>	<b>(6,609,860)</b>	<b>(4,630,024)</b>	<b>(92,599,111)</b>	<b>(92,190,207)</b>	<b>(86,969,330)</b>
Net adjustments	<b>F = D+E</b>	<b>(31,934,973)</b>	<b>(79,440,113)</b>	<b>(126,880,100)</b>	<b>(594,413,720 )</b>	<b>(1,482,557,888 )</b>
Tax saving thereon Tax Liability, after considering the effect of adjustments	<b>G =F*B</b>	<b>-12630282</b>	<b>-28360120</b>	<b>-46628437</b>	<b>-213245922</b>	<b>-527679416</b>
Taxable income (Book Profits) as per MAT*	<b>H = C+G</b>	<b>1299889</b>	<b>1720882</b>	<b>(29454381)</b>	<b>(86696390)</b>	<b>(87757750)</b>
MAT Rate	<b>I</b>	<b>9795784</b>	<b>8792291</b>	<b>11357052</b>	<b>17032939</b>	<b>20557675</b>
Tax liability as per MAT	<b>J</b>	<b>8.4750%</b>	<b>7.6500%</b>	<b>7.8750%</b>	<b>7.6875%</b>	<b>7.8413%</b>
Tax liability being higher of H or K	<b>K = I*J</b>	<b>830193</b>	<b>672610</b>	<b>894368</b>	<b>1309407</b>	<b>1611979</b>
Interest payable under the Act	<b>L</b>	<b>1299889</b>	<b>1720882</b>	<b>894368</b>	<b>1309407</b>	<b>1611979</b>
	<b>M</b>	<b>14767</b>	<b>0</b>	<b>2033</b>	<b>30779</b>	<b>92126</b>
Tax payable for the year	<b>N = L+M</b>	<b>1314656</b>	<b>1720882</b>	<b>896401</b>	<b>1340186</b>	<b>1704105</b>

\* MAT refers to Minimum Alternative Tax as referred to in section 115 JB of the Act.

**Notes to the tax shelter statement**

1. The aforesaid Statement of Tax Shelters has been prepared as per the standalone audited accounts of Plethico Pharmaceuticals Limited and is not based on the profits as per the 'Summary statements of Profits and Losses, as restated'.
2. The permanent/timing differences have been computed considering the acknowledged copies of the income-tax returns filed by the Company for each of the respective years stated above.
3. The profits have been considered for the financial year ending March 31, 2001 onwards under the Income Tax Act and as per the returns of income filed with the Income Tax authorities.

As per our report of even date

For N.P.Gandhi & Co.  
Chartered Accountants  
N.P.Gandhi  
Proprietor  
M. No. 44294  
Indore  
Date : 18th January,  
2006

For and on behalf of the Board of  
Plethico Pharmaceuticals Ltd  
S.A.Patel  
Director  
Indore  
Date : 18th January, 2006

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS

The financial statements have been prepared in accordance with the Indian GAAP, the Companies Act, and the SEBI Guidelines and restated as described in the report of our statutory auditor M/s. N.P.Gandhi and Company, Chartered Accountants dated January 18, 2006 in the section titled “Financial Statements” on page 155 of the Prospectus.

Our financial year ends on September 30 of each year. Our historical financial performance may not be considered as indicative of future financial performance.

### Overview

We have from the inception (the start of the Plethico group’s operation dates way back to 1963 under the name of Plazma Laboratories for marketing generic drugs) been a formulation manufacturer, always believing in innovation. We pioneered introduction of Doxycycline based unique anti-biotic formulation under the brand name “Minicycline” and Co-Trimoxazole based unique anti-bacterial formulation under the brand name “Timizol”. We also introduced for the first time in India, novel ayurvedic / herbal preparation under the brand name –Syndrex (Single Herb Methi extract was used to combat the new generation disease “Syndrome X”) and also launched other products like Octogen, Previl, and were one of the first to launch allopathic combipacks, kit packs and bi-layer tablets.

Keeping with this spirit, we diverted our attention from the local ethical market to the lucrative OTC market in India and took a quantum jump on our operations on the Export front currently, the semi regulated / un regulated markets of Eastern Europe, Common Wealth of Independent States (CIS), South East Asian (SEA) nations, Gulf Co operation Council (GCC) Countries, Latin American Countries (LAC), Africas.

We have always adopted the “Branded Generic” model for marketing our allopathic formulations In India. So, this model has been replicated in the semi-regulated markets spanning Asia, Africa, Latin America and Russia/CIS regions.

Our formulation business operates in over 45 countries including India. The company employs approximately 250 sales personnel across these markets; of these over 150 sales representatives and front line-managers are employed in markets outside India.

We have divided our business into SBU’s which operate independently and is a profit centre in itself. This helps the smooth running of the business and also enables us to take decisions faster ensuring that we do not miss any opportunity to do business.

**A.** In India, we currently have three SBU’s in the OTC segment apart from the Contract Manufacturing / Toll Manufacturing SBU –

These SBUs currently has a strength of around 100 sales personnel (including ISR). We intend to raise the field force team in the near future to be able to man the length & breadth of India and in the process also develop a strong M&D back bone which can be used as a spring board for quantum jump in the near future for expanding activities in India

**a. “Nutriscience (Sports Nutrition & Supplement) SBU”** - This SBU has been actively marketing niche products like sports nutrition – under the umbrella brand name “Coach’s Formula”, this includes products like Super Protein, Super Creatine, Weight Gain, Weight loss, Muscle Mass, Tone & Tighten, L-Glutamine, and Energizer which presents a complete bouquet of products which a health conscious individual, athlete, sports person would consume and eminent coach’s would suggest.

**b. “Confectionary SBU”** - The Confectionary SBU markets herbal candies under the umbrella brand name of “Byte” & “Actifresh”. It has launched 8 flavours of Byte in the market which have already been well accepted and plans to launch shortly another 24 flavours. .

**c. “OTC SBU”** – This SBU basically deals with the foot care & oral care segment. The foot care segment would cover a wide range of applications like cracks in winter on the foot which are devoid of moisture, odour freeing agent for the foot, and the like. Besides this, the Oral care would be a complete herbal range under Travisil umbrella brand, which will cater to the throat cough in lozenges form, syrup form, bouquet of oral products like herbal tooth paste, mouthwash, dental range.

## **B. EXPORT SBU**

On the export front the real focus started in 1996 after the advent of Mr.Chirag Patel, our CEO, who visited the CIS & African markets for long stints and travelled across these markets scouring for business opportunities. CIS business initially was mainly concentrated on Turkmenistan, Georgia, and Latvia and was mainly trading items to begin with. We started off with almost 100% trading items on our product list like Disposable Gloves, syringes, IV Sets, BT sets, etc. This trend was reversed after the advent of Global Distributor M/s. Tricon LLC, UAE, who actually gave path breaking access to Plethico in the CIS market. We, before taking the inorganic growth option of acquiring Rezlov, converted the almost 100% trading items portion to almost 100% own branded generics. We acquired majority stake in Rezlov group of companies keeping in line with our M&D strategy. The African market was serviced by way of sporadic tenders till we earned a reputation of delivering quality products on time and now we are set to service this vast African market through our MM&D structure in Kenya.

We have always adopted “*do in Rome as Romans do*” concept in each of the markets we have entered. CIS entry needed disposables items, so entry was through disposables, but long term goal was to establish as a broad based branded generic player, which we has achieved by offering more than 125 products across CIS markets which cater to various therapeutic categories. Africa has been a traditional tender market, which needs strong Anti TB, Anti malarial therapeutic presence, which has been our forte even in the domestic ethical market. We topped the Anti Malarial segment of Quinines (AC Nielson ORG MARG January 2003) and also ranked 3<sup>rd</sup> amongst top 5 Anti TB Companies in India, with the revolutionary 3/4 drug FDC (Rifampicin+Ethambutol+ Isoniazid & with or without Pyrazinamide). We have entered into a Manufacturing JV with a local partner – Mr Jayesh Saini in Kenya. This JV unit will help us achieve long term goal of establishing as a major player in the African sub continent. This is possible because the tender strength coupled with local manufacturing base in Africa translates to direct preferential entry into the (Common Market of Eastern & Southern Africa) COMESA Countries.

We currently have presence in niche segments like Herbal medication, NDDS, Cardiovascular, Diabetology and other Lifestyle drugs, nutraceuticals, medicated candies, food supplements and OTC / Consumer Products besides already being present in branded Generic formulations. We also focus on Contract Manufacturing as one of the important business areas of growth and offer both toll manufacturing and packaging operations to several domestic as well as international companies of repute. Plethico today has exports to more than 45 countries. The Company has more than 400 formulations in more than 39 therapeutic segments and a turnover of Rs 2241.18 Mn for the year ended September 2005.

### **Factors affecting our result of operations:**

Several factors have affected our results of operations, financial condition and cash flow significantly over the past years. These factors include:

- Competition from Indian and non-Indian pharmaceuticals producers, especially the effect of such competition on growth and pricing of our products and services;
- Growing demand for production and research outsourcing in the global pharmaceuticals industry;

- Cost of various acquisitions and addition to our assets through business or products acquired;
- Capital expenditures, including for capacity expansion;
- Discontinuation of domestic allopathic marketing division and selling it to Shreya Life Sciences and entering into a non-compete agreement until November 2008 and the consideration received for the same from Shreya Life Sciences;
- Reduction in interest rates;
- Increasing employee compensation in India; and
- Changes in market prices for crude oil.

These factors and a number of future developments may affect our results of operations, financial condition and cash flow in future periods. We believe that the following future developments may affect our future results of operations, financial condition and cash flow:

- Effects of the new patent regime in India;
- Consolidation in the pharmaceutical industry;
- Acquisitions of various companies / businesses and addition of their products to our portfolio;
- Gain or loss of significant customers or clients;
- Additional capital expenditures and related financings, if any, including for capacity expansion;
- Changes in the business plans of our current and potential strategic partners and joint venture partners;
- Effect of global regulatory changes on products which are also manufactured and/or marketed by us;
- Adoption of or changes in price controls in the Indian and other major drug markets;
- Changes in the government legislations on tax incentives;
- Introduction of our products or entry into regulated markets, principally the United States and Europe;
- Competition from other custom manufacturing companies;
- Changes in the strategic plans of our current and potential customers and clients towards outsourcing of custom manufacturing; and
- Increase in expenditure on research and development.

For more information on these and other factors which have or may affect our financial conditions, please refer to the other parts of this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section, as well as the section entitled “Risk Factors” section beginning on page ix and the section entitled “Our Business” section beginning on page 82 of this Prospectus.

### **Significant Accounting Policies**

Preparation of financial statements in accordance with Indian generally accepted accounting principles, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described under Auditors’ Report in this Prospectus beginning page 155.

Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our “significant accounting policies”. Our management uses its historical experience and analyses, the terms of existing contracts, historical cost convention, industry trends, information provided by our agents and information available from other outside sources, as appropriate, when forming its assumptions and estimates. However, this task is inexact because our management is making assumptions and providing estimates on matters that are inherently uncertain.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant additional attention:

***Accounting Concept***

The company follows mercantile (accrual) system of accounting and the accounts are prepared in accordance with the generally accepted Accounting Principles & Policies.

***Fixed assets***

All fixed assets are valued at cost of acquisition, less accumulated depreciation. Cost of fixed assets is arrived after including therein attributable interest and expenses of bringing the respective assets to working condition and reducing there from modvat credit received / receivable, if any.

***Depreciation***

Depreciation is provided on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation has been provided on prorata basis with reference to the date of addition / installation/disposable of assets.

***Inventories***

Stock of Raw Materials and Finished Goods are valued at lower of cost or reliazable value. The stocks of Packing Materials, Consumable Stores, Gift Articles, Promotional Materials and Stock-in Process are valued at cost.

***Liability for Retirement Benefits***

The Company contributes to a Gratuity Fund, which has taken up a Group Policy with Life Insurance Corporation of India for future payments of gratuities to employees. The contribution to the Gratuity fund is charged to revenue. Contribution till March 04 has been charged to revenue account, contribution for the balance period would be accounted from the succeeding year.

***Investments***

Investments in shares / debentures are valued at cost. Investment in firm as a Partner is also shown at money actually invested.

***Foreign Exchange Transactions:***

The Transactions in foreign currency have been accounted at the exchange rate prevailing on the date of transaction. Year-end receivables have been translated at the year-end rate of exchange. The difference on account of fluctuation in the rate of exchange as prevailing on sales transaction date and realization / year end date have been recognized in Profit & Loss Account by debiting / crediting exchange rate difference account.

***Research and Development:***

Research and Development costs (other than cost of fixed assets acquired) are charged as an expense in the year in which they are incurred.

***Significant development subsequent to the last financial year***

We have issued bonus shares on 26<sup>th</sup> December 2005 in the proportion of 3 shares for every 1 share held. The equity share capital after the bonus issue stands at 3, 04, 00,000 equity shares of Face Value of Rs 10/- each.

## Our Results of Operations

### Discussion on Results of Operations

A summary of our past financial results based on our Restated Accounts is given below:

(Rs. In millions)

Particulars	FY 2001	FY 2002	FY 2003	FY 2004 (15 Mths)	FY 2004 (Annualised)	FY 2005
<b>Income</b>						
Sales	1138.91	1203.82	1444.10	2000.28	1600.22	2221.85
Other Income	91.05	68.27	42.73	375.34	300.27	22.95
<b>Total Income</b>	<b>1229.96</b>	<b>1272.09</b>	<b>1486.83</b>	<b>2375.62</b>	<b>1900.50</b>	<b>2244.80</b>
<b>Expenditure</b>						
Cost of Goods sold & Operating Exps	815.67	747.62	895.01	1609.46	1287.57	1348.32
<b>Gross Profit</b>	<b>414.29</b>	<b>524.47</b>	<b>591.82</b>	<b>766.16</b>	<b>612.93</b>	<b>896.48</b>
<b>Gross Profit Margin (%)</b>	<b>33.68%</b>	<b>41.23%</b>	<b>39.80%</b>	<b>32.25%</b>	<b>32.25%</b>	<b>39.94%</b>
Employees' Remuneration & Benefits	141.31	164.07	180.51	140.58	112.46	103.19
Administrative and Other Expenses	21.65	46.20	56.45	76.01	60.81	47.31
Selling & Distribution Expenses	70.24	121.67	110.27	45.99	36.79	72.17
<b>EBIDTA</b>	<b>181.09</b>	<b>192.53</b>	<b>244.59</b>	<b>503.58</b>	<b>402.86</b>	<b>673.81</b>
Depreciation	6.88	9.64	33.48	53.06	42.45	49.61
<b>Operating Profit</b>	<b>174.21</b>	<b>182.89</b>	<b>211.11</b>	<b>450.52</b>	<b>360.42</b>	<b>624.20</b>
Interest and Financial Charges	20.70	19.08	41.76	58.12	46.50	29.19
Miscellaneous Expenditure not Written Off	0.04	0.01	0.00	0.00	0.00	0.00
Extraordinary (Income) / Expense	0.00	0.00	0.00	-698.50	-558.80	0.00
<b>Profit before tax</b>	<b>153.51</b>	<b>163.81</b>	<b>169.35</b>	<b>1090.90</b>	<b>872.72</b>	<b>595.01</b>
Provision for Taxation						
- Current Tax	1.30	1.60	0.90	1.31	1.05	2.22
- Less/(Add) Deferred Tax	2.45	2.02	5.05	33.67	26.94	31.48
Prior Period Items	0.00	-0.60	-1.05	0.00	0.00	0.00
<b>Profit After Tax for current year (PAT)</b>	<b>149.76</b>	<b>160.79</b>	<b>164.45</b>	<b>1055.92</b>	<b>844.74</b>	<b>561.31</b>
Add: Previous Year Profits	74.72	53.55	153.40	276.42	221.14	410.86
<b>Profit available for appropriations</b>	<b>224.48</b>	<b>214.34</b>	<b>317.85</b>	<b>1332.34</b>	<b>1065.87</b>	<b>972.17</b>

**Overall: During the 5 years under review, the Sales have grown at a CAGR of 14.46% and the PAT has grown at a CAGR of 29.72%.**

The break up of sales segment wise for FY 2003, 2004 and 2005 is shown below:

Segments		FY 2002-03		FY 2003-04		FY 2004-05	
Herbal/ Nutraceuticals	Domestic Ethical	5.89	0.41%	3.6	0.18%	0	0.00%
	Domestic OTC	17.58	1.22%	27.5	1.37%	64.98	2.92%
	Exports	35.77	2.48%	1025.81	51.28%	1051.4	47.32%
<b>Total</b>		<b>59.24</b>	<b>4.10%</b>	<b>1056.91</b>	<b>52.84%</b>	<b>1116.38</b>	<b>50.25%</b>
CM/TM	Domestic CM/TM	<b>40.47</b>	<b>2.80%</b>	<b>127.25</b>	<b>6.36%</b>	<b>643.87</b>	<b>28.98%</b>
Allopathic /Disposables	Domestic Ethical	1147.19	79.44%	549.63	27.48%	0	0.00%
	Exports	197.2	13.66%	266.49	13.32%	461.6	20.78%
<b>Total</b>		<b>1344.39</b>	<b>93.10%</b>	<b>816.12</b>	<b>40.80%</b>	<b>461.6</b>	<b>20.78%</b>
<b>Grand Total</b>		<b>1444.1</b>	<b>100.00%</b>	<b>2000.28</b>	<b>100.00%</b>	<b>2221.85</b>	<b>100.00%</b>

The breakup of sales between domestic and exports is also shown below for the various segments:

Segments		FY 2002-03		FY 2003-04		FY 2004-05		
Herbal /Nutraceuticals	Domestic Ethical	5.89	0.41%	3.6	0.18%	0	0.00%	
	Domestic OTC	17.58	1.22%	27.5	1.37%	64.98	2.92%	
Allopathic /Disposables	Domestic Ethical	1147.19	79.44%	549.63	27.48%	0	0.00%	
CM/TM	Domestic CM/TM	40.47	2.80%	127.25	6.36%	643.87	28.98%	
<b>DOMESTIC TOTAL</b>		1211.13	<b>83.87%</b>	707.98	<b>35.39%</b>	708.85	<b>31.90%</b>	
			<b>0</b>		<b>0</b>		<b>0</b>	
Herbal /Nutraceuticals	<b>Exports</b>	35.78	<b>2.48%</b>	1025.82	<b>51.28%</b>	1051.38	<b>47.32%</b>	
		AFR	0.07	0.00%	275	13.75%	231.65	10.43%
		CIS	35.71	2.47%	750.53	37.52%	632.8	28.48%
		LAC	0	0.00%	0	0.00%	185.96	8.37%
		SEA	0	0.00%	0.29	0.01%	0.97	0.04%
Allopathic /Disposables	<b>Exports</b>	197.19	<b>13.65%</b>	266.48	<b>13.32%</b>	461.62	<b>20.78%</b>	
		AFR	82.12	5.69%	150.68	7.53%	232.36	10.46%
		CIS	107.58	7.45%	88.33	4.42%	99.85	4.49%
		GCC	0	0.00%	3.57	0.18%	3.9	0.18%
		LAC	7.49	0.52%	11.77	0.59%	7.65	0.34%
		SEA	0	0.00%	12.13	0.61%	117.86	5.30%
<b>EXPORT TOTAL</b>		232.97	<b>16.13%</b>	1292.3	<b>64.61%</b>	1513	<b>68.10%</b>	
<b>Grand Total</b>		<b>1444.1</b>	<b>100.00%</b>	<b>2000.28</b>	<b>100.00%</b>	<b>2221.85</b>	<b>100.00%</b>	

## Review of results of operations

### Comparison of FY 2005 with FY 2004

#### Comparison of FY 2005 with FY 2004 (Annualised)

- **Net Sales:** Net Sales grew by 39% YOY ie; by Rs 622 Million. The Sales for the year was largely dominated by Export to the tune of Rs 1513 million and Domestic (Consumer Product Division, Contract Manufacturing/ Toll Manufacturing) to the tune of Rs 709 Million.
- **Cost of Goods Sold:** Cost of Goods sold was at 60% of Total Income. It has improved over previous year as in that the sales mix has changed favourable and thereby bringing down the cost of goods sold. The raw material cost increase due to change in product mix.
- **Indirect expenses:** Indirect expenses (excluding Extraordinary items) have moved marginally to Rs 302 Million from Rs 299 Million in the previous Accounting year. Out of this Interest component has come down significantly from Rs.47 Million to 29 Million due to interest rates moving down and also fresh loans have been raised only towards the end of the year & Distribution expenses have moved up from Rs 37 Million to Rs 72 Million. This was due to heavy promotion expenses of CIS & also the higher focus afforded by the Company on its OTC division in India in terms of manpower.
- **EBIDTA:** The EBIDTA was 30% and Operating Profit was 28%. This was higher on both counts than previous year due to higher contribution from Exports of Herbal formulations which contributed significantly at 50% of the total turnover.
- **Extraordinary Items:** There were no extraordinary items during this accounting year.

#### Comparison of FY 2004 with FY 2003

- **Net Sales:** Sales grew by 11% YOY ie; by Rs 156 Million. The Sales was largely dominated by Export to the tune of Rs 1034 million and Domestic to the tune of Rs 566 Million.
- **Cost of Goods Sold:** Cost of Goods sold has moved up to 68% of Total Income. This is largely due to substantial increase in contract manufacturing activities after hive off of ethical business and due to the spare capacities the company started contract manufacturing / toll manufacturing operations and these business lines being low margin business consequently the cost of goods sold has gone up as compared to previous year.
- **Indirect expenses:** Indirect expenses (excluding extraordinary items) have moved down significantly to Rs 299 Million from Rs 422 Million in accounting year 2003. This shows a reduction of Rs 123 Million. This is largely due transfer of Sales force from Plethico to Shreya Lifesciences due to hiving off of Domestic ethical division. This resulted in saving of Rs 68 million in Employees Remuneration head and also saved Rs 74 Million in sales & distribution expenses. This together resulted in saving of approximately Rs 142 Million. However, there were some increased expenses on account of Depreciation & administrative expenses to the tune of Rs 18.06 Million. Interest has remained more or less stable over previous accounting year.
- **Profitability:** The EBIDTA was 21% and Operating Profit was 19%. This was again higher than the previous year ending. This was largely contributed by the higher focus that the Company afforded on exports. In this year the Company also advanced money for acquiring a stake in marketing & distribution Company's in CIS. Due to the acquisition the profitability of the products increased due to higher price realization.
- **Extraordinary Items** There was Extraordinary Income during this accounting year which was the net proceeds of Rs 699 Million derived from slump sale of the "Patent & Proprietary Ethical Division". The PBT was Rs 392 Million excluding extraordinary Income and including extraordinary income, PBT was Rs 1091 Million and PAT was Rs 1056 Million and on an annualized basis the PBT excluding Extraordinary Income was 314 Million & including extraordinary income was 873 Million and PAT was 845 Million.

### Comparison of FY 2003 with FY 2002

- **Net Sales:** Sales grew by 20% YOY ie; by Rs 240 Million, so also resulting in growth of Total Income by 17%. The sales was largely dominated by Domestic sales Rs 1211 Million followed by Export sales Rs 233 Million.
- **Cost of Goods Sold:** Cost of Goods sold increased by 20% over previous accounting year figure and consequently increased to 60% of total income from the levels of 58% in the previous accounting year 2002. This change has been due to increased Raw material prices of Actives during this period of operation.
- **Indirect expenses:** Indirect expenses have moved up significantly to Rs 422 Million from Rs 360 Million over previous accounting year 2002. This shows an increase of Rs 62 Million. Largely, these were due to some increased expenses on account of Depreciation (Rs 24 Million) & Interest & financial charges (Rs 26 Million) and employee's remuneration (Rs 16 million) and administrative expenses (Rs 8 Million), the only respite being in sales & distribution expenses which generated savings to the tune of Rs 11 Million. Depreciation has gone up due to commissioning of Kalaria Plant which created a new block for charging depreciation. Interest has gone up due to new term loan taken and post commissioning interest would be charged to P&L.
- **Profitability:** This year the Company scored higher on the EBIDTA front due to better product range (in terms of price realization) marketed by the Company, expanding on the therapeutic segments and other activities but the Operating levels came down marginally over previous year due to incremental Depreciation accruing due to opening of Kalaria unit at Indore.

**Extraordinary Items:** There were no extraordinary items during this accounting year.

### Unusual or infrequent events or transactions

There have been no unusual or infrequent transactions affecting our business for in the recent past. During October 2003, we had disposed of our Domestic P&P Allopathic marketing division to Shreya Life Sciences (P) Ltd and shifted our thrust from domestic marketing to global marketing. Consequently the volume of domestic operations declined whereas volume of export operations has grown up tremendously. During the year 2003-04, we have acquired partial stake in a fully integrated marketing and distribution chain in 6 CIS countries. Also the company diversified its business operations and started manufacturing and marketing of wide range of consumer products and Pharma OTC in the Indian Domestic Markets.

### Significant economic changes that materially affected or are likely to affect income from continuing operations –

Modification of Excise duty structure giving significant impact on the business - The imposition of the excise duty on pharmaceutical formulations was made applicable on MRP in place of initial actual transaction price. As a result many companies have discontinued manufacturing products on contract manufacturing basis. However our company has nothing to bother on this modification in this excise duty structure as the marketing pattern has changed from domestic operations to export operations, which are totally exempt from excise duty. The contract manufacturing being done by us for other pharmaceutical companies are also meant for export markets, hence there is no involvement of excise duty element.

Volatility in Foreign exchange rates may have an inflationary effect on cost of imports. However as the company exports part of its turnover, any inflationary effect on imports will be partly offset by higher realization on exports. Barring these factors, there are no significant economic changes that materially affect or likely to affect income from continuing Operations.

### Off-Balance Sheet Arrangements

As of September 30, 2005, Bank of Baroda has provided financial guarantee on behalf of the Company to the tune of US\$ 700,798. However, our promoters have provided personal guarantees for certain loans availed by us. For details, please see the section titled "Related Party Transactions" beginning on page 147.

### **Contingent Liability**

There are claims made against the Company which are not acknowledged as debts amounting to Rs.21.49 million as on December 31, 2005.

### **Quantitative and Qualitative Disclosure about Market Risk**

The functional currency of our Company is the Indian Rupee. We are exposed to market risk from changes in foreign exchange rates and interest rates.

#### **Interest Rate Risk**

Our financial results are subject to changes in interest rates, which may affect our debt service obligations. We do not use derivative instruments to hedge against adverse movements in interest rates with the objective of reducing cost of debt.

#### **Exchange Rate Risk**

We maintain accounting records and prepare our financial statements in Rupees, although our export sales are priced in U.S. Dollars. Similarly, we import some amount of raw materials and most of these imports are denominated in foreign currencies such as the U.S. Dollar. Additionally, changes in exchange rates influence the cost of our borrowings denominated in currencies other than Rupees and the Rupee value of such borrowings in our balance sheet.

### **Effect of New Accounting Pronouncements**

The following are accounting pronouncements issued by the ICAI during the last three fiscal years that have had an effect on our financial reporting:

#### **Accounting for Taxes on Income**

The ICAI issued Accounting Standard 22 (“AS 22”) for Taxes on Income, which prescribes guidelines for addressing the problem of permanent and timing differences between accounting income and taxable income. It is not applicable to taxes on distribution of dividends. Under AS 22, tax expense for an accounting period is the total of current tax and deferred tax. Deferred tax is the tax effect of timing differences; permanent differences do not result in deferred tax assets or liabilities and hence should not be recognized. AS 22 also states that considerations of prudence should not be ignored while recognizing the impact of timing differences and prescribes conditions under which deferred tax assets should not be recognized. AS 22 came into effect for the fiscal year beginning April 1, 2001 and became mandatory for us for the fiscal year beginning April 1, 2002. This accounting standard has had an impact on our reported profit after tax as the tax impact of timing differences is now recognized as an expense or an item of income.

#### **Accounting for Provisions, Contingent Liabilities and Contingent Assets**

The ICAI issued Accounting Standard 29 (“AS 29”) for Provisions, Contingent Liabilities and Contingent Assets, which prescribes appropriate recognition criteria and measurement bases to be applied for Provisions and Contingent Liabilities. AS 29 requires that an enterprise should disclose sufficient information to enable users to understand their nature, timing and amount. AS 29 came into effect for the fiscal year beginning April 1, 2004 and became mandatory for us from that date. We do not believe that adoption of AS 29 has had a material impact on our financial statements and results of operations.

### **Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations**

There are no known trends and uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations

**Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known**

Nil; however if the government puts any products under the DPCO then it will affect the relationship between cost and revenues.

**The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices**

The growth in revenues is in line with rising trend in the business volume of our company.

**Total turnover of each major industry segment in which the company operated**

The company operated in only one industry segment – Pharmaceutical segment

**Status of any publicly announced new products or business segment**

The company has not publicly announced any new products or segments.

**The extent to which the business is seasonal**

In the Company the range of the products changes according to the season therefore the business of our company is seasonal to that extent.

**Any significant dependence on a single or few suppliers' or customers'**

We are not significantly dependent on any single or few suppliers' or customers'.

**Competitive conditions**

We expect competition in the herbals and nutraceuticals sector from existing and potential competitors to intensify. For further details please refer to the discussions of our competition in the sections entitled “Risk Factors” and “Our Business” beginning on pages ix and 82, respectively, of this Prospectus.

## SECTION VII: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below there are no outstanding litigation, disputes, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by the Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act) against the Company, its Directors, and its Group companies that would have a material adverse effect on our business

### CASES FILED AGAINST THE COMPANY

#### A. Labour Disputes

- Mr. Amresh Das has filed a suit for payment of salary amounting to Rs. 1,50,150 and a suit for payment of salary from January 2004.
- There are six disputes for reinstatement of former employees with back wages and benefits pending before the Labour Court at Kanpur. It is not possible to quantify the compensation payable by the Company, if any of these cases are held against the Company.
- There are 35 cases pending before the Labour Court, Indore for illegal termination of services and reinstatement with back wages. It is not possible to quantify the compensation payable by the Company, if any of these cases are held against the Company.
- The Factory Inspector has filed a proceeding before the Labour Court, Indore relating to the on-site emergency plans and the lack of inspection compliances.
- One employee, Mr. Mithur has filed a writ petition before the High Court, Bangalore for reinstatement after he lost the case at the various forums below the High Court. It is not possible to quantify the compensation payable by the Company, if this case is held against the Company.

#### B. Dispute with Lakme Limited

The Company on January 18, 1996 had filed an arbitration proceeding against (1) M/s. Miaami Pharma & Chemicals (P) Ltd. and (2) M/s. Tata Pharma (a division of Lakme Ltd.) for a claim of Rs. 57,99,853.53 together with 18% p.a. interest, being the amount due to the Company due to breach of agreement dated April 20, 1987 with M/s. Miaami Pharma & Chemicals (P) Ltd. wherein M/s. Miaami Pharma & Chemicals (P) Ltd. was to supply I.V. Solutions to wholesalers, stockists, doctors etc. through the field staff of the Company and the Company was to receive a marketing service charge in respect thereof. The claim is for the period June 1987 to January 30, 1988. Arbitration award dated January 2, 1999 stated that the applicant (the Company) is entitled to Rs. 30,36,083.86 and interest from April 1, 1992 on Rs.28,76,254.26.

The Company on January 25, 1999 filed arbitration case before the District Court at Indore under section 14(2) of the Indian Arbitration Act, 1940 for the confirmation of the court of the award as for the amount of Rs 65,97,193.

Lakme Ltd. (to which M/s. Miaami Pharma & Chemicals (P) Ltd. has merged) filed a counter petition under section 30 of the Indian Arbitration Act, 1940 to set aside the arbitration award. The Company has been informed that a final judgement has been passed in favour of the Company by the District Court and a copy of the order is awaited.

The Company on May 24, 1997 filed another arbitration proceeding against (1) M/s. Miaami Pharma & Chemicals (P) Ltd. and (2) M/s. Tata Pharma (a division of Lakme Ltd.) for a claim of Rs. 3,02,30,370/- together with 18% p.a. interest, being the amount due to the Company due to breach of agreement dated April 20, 1987 with M/s. Miaami Pharma & Chemicals (P) Ltd. The claim is for the period from February 1988 to December 20, 1992. Arbitration award dated December 19, 1998 stated that the applicant (the Company) is entitled to Rs. 3,02,30,370/- together with interest from June 1, 1997 on Rs.1,46,20,834.

Lakme Ltd. has filed an application before the District Court at Indore under section 34 of the Arbitration and Reconciliation Act, 1996 by Lakme Ltd. against the Company and the three arbitrators to set aside the order of December 19, 1998. The Court passed an order on March 23, 2004 upholding the December 19, 1998 order allowing the principal amount of Rs. 1,46,20,834 but has however, stated that interest at the rate of 18% p.a. would arise from February 5, 1997, when the cause of action allegedly arose and not prior to that date, hence, rejecting the claim of Rs.1,47,73,144.

The Company has filed an execution petition 7/Bof 1999 on May 5, 2004 before the District Court, Indore against Lakme Limited and Tata Pharma (a division of Lakme Ltd.) for the amount Rs. 3,42,54,270/- which is pending.

Lakme Ltd. filed a Miscellaneous Appeal No. 2009 of 2004 before the High Court of Madhya Pradesh on June 15, 2004 under section 37 of the Arbitration and Reconciliation Act, 1996 against the Company and the three arbitrators to set aside the order of December 19, 1998 and reverse order of March 23, 2004. An interim order was passed, wherein the orders of December 19, 1998 and March 23, 2004 were stayed and the appellant was ordered to deposit Rs. 50 lacs with the Court and furnish adequate security for the balance amount.

The Company has filed a Miscellaneous Appeal No. 2284 of 2004 before the High Court of Madhya Pradesh on July 30, 2004 under section 37 of the Arbitration and Reconciliation Act, 1996 against Lakme Ltd. and the three arbitrators to set aside the order of March 23, 2004 and restore the order dated December 19, 1998.

Both the Miscellaenous Appeals are pending final hearing before the Courts. The Company has on furnishing adequate security to the District Court, recovered Rs. 50 lacs from Lakme Ltd., that has been deposited by Lakme Ltd. before the District Court.

### C. Dispute with M/s. Shreya Life Sciences Private Limited

The plaintiff (Shreya Life Sciences Private Limited) has acquired the entire Indian division of the pharmaceutical business of the Company named as 'P & P Allopathic Pharmaceutical division'. This deal included the Indian sales team, Indian Ethical / prescription brands/ trademarks & the distribution setup as far as the Indian Ethical / prescription market is concerned. Thereafter, the plaintiff had entered into agreements, permitting the Company to manufacture certain preparations for the plaintiff for a certain period after which the contract was terminated. The plaintiff alleges that the Company is manufacturing identical formulations with deceptively similar trademark and packaging and that Defendant No. 2, namely, Genecell Pharmaceuticals Ltd. is marketing the said infringing products. The suit has been filed to restrain the defendants from infringing the trademarks and passing off their goods as that of the plaintiff and to order the defendants to pay a sum of Rs.23,00,000 to the plaintiff as damages and such other monies towards costs and accounts.

The High Court has granted an ex parte interim injunction vide its order dated March 24, 2005 in favour of the plaintiff wherein the defendants stand restrained from selling and marketing pharmaceutical preparations under the trademarks V-PEN, PYRIZ, GENRIP, PULMO, VB-Q, GENTAX, G-SPAR and packaging as mentioned in the plaint. The matter is pending hearing.

Further, the plaintiff has filed 2 applications dated May 25, 2005 and August 17, 2005 alleging that the defendants are continuing to use, promote and advertise the trademark LYSIBAY and manufacture and sell products under the brand name GENTAX and have inter alia, prayed for the arrest of the directors of the defendants and the attachment of the properties of the defendants. The applications are pending final hearing.

#### D. Other Civil Disputes

1. M/s. Enterprise India and others have preferred a First Appeal against the Judgment and Decree dated July 12, 2002 passed by the District Court, Indore in favour of the respondents namely, Plethico Laboratories Pvt. Limited, the Company and M/s. Plethico Products in the Civil Suit No. 22B of 1999 filed by the respondents. The appellant by this appeal has sought to reverse/stay the said judgement and decree whereby the court has decreed the suit of the respondents for Rs.46,19,771 with interest at 15% from the date of the suit and costs amounting to Rs. 9394867.50/- as on September 2, 2002. First Appeal is pending for final hearing. The respondents have withdrawn Rs. 20 lacs deposited by the appellants, after furnishing adequate security in the District Court. Another approximately 17 lacs were deposited by the appellants in the District Court, Gaziabad (executing court) which was withdrawn by the respondents against the respondents furnishing adequate security. In total, an amount of Rs.37,06,069 has been recovered from M/s. Enterprise India. Interim stay granted in favour of the appellants. Execution petition in Gaziabad against the appellants is pending.
2. M/s. Uni Allied Pharmaceuticals and another have preferred a First Appeal against the Judgment and Decree dated August 28, 2002 passed by the District Court, Indore in favour of the respondents namely, Plethico Laboratories Pvt. Limited, the Company and M/s. Plethico Products in the Civil Suit No. 47B of 1999 filed by the respondents. The appellant by this appeal has sought to reverse/stay the said judgement and decree whereby the court has decreed the suit of the respondents for Rs.69,57,222 with interest at 15% and costs from the date of the suit and costs amounting to Rs. 1,37,60,507/- as on September 24, 2002. First Appeal is pending for final hearing. The respondents have withdrawn Rs. 75 lacs deposited by the appellants, after furnishing adequate security in the District Court. Interim stay granted in favour of the appellants. Execution petition in Lucknow against the appellants pending.
3. M/s. Medicina Sales has preferred a First Appeal against the Judgment and Decree dated September 4, 2002 passed by the District Court, Indore in favour of the Company in the Civil Suit No. 9B of 2002 filed by the Company. The appellant by this appeal has sought to reverse/stay the said judgement and decree whereby the court has decreed the suit of the respondent for Rs.3,51,878.66 with interest at 6% and costs from the date of the suit and costs amounting to Rs. 4,47,000/- as on September 23, 2002. A First Appeal has been admitted and is pending hearing for interim stay application filed by the appellant. Execution petition filed by the Company in the District Court at Indore against the appellant has been transferred to the District court, Aurangabad and is pending

#### **CASES FILED BY THE COMPANY**

1. The Company has filed 7 complaints before the Judicial Magistrate, Indore, under Section 138 of the Negotiable Instruments Act, 1881 against various parties for dishonour of cheques aggregating to a sum of Rs. 2,50,070.
2. The Company has filed 5 suits before the District Court, Indore against its ex-transporters who have failed to return to the Company, the undelivered goods sent for delivery by the Company through them. The total amount of monies claimed is approximately Rs. 944,071.

3. The Company has filed an execution proceeding in the District Court, Mathura against Triveni Transport Service and another in respect of execution of a decree passed in favour of the Company in a suit for recovery of monies filed by the Company against the said respondents in the District Court, Indore for approximately Rs. 51,288. The execution proceeding is pending final hearing.
4. The Company has filed a suit before the District Court, Indore against three of its ex-employees and three chemists in respect of goods of the Company that have been illegally removed from the possession of the Company and sold. The claim is for approximately Rs. 21,34,380.
5. The Company has filed a suit before the District Court, Indore against M/s. Zenith Drugs & Allied Agencies Pvt. Ltd. and another, a consignment agent of the Company for having illegally retained monies received from the customers of the Company in respect of the products of the Company and not paying the same to the Company. The amount claimed is approximately Rs. 29,77,441. The suit is pending final hearing.
6. The Company has filed an Arbitration Petition before the High Court of Madhya Pradesh Bench at Indore under section 11 of the Arbitration and Conciliation Act, 1996 for appointment of arbitrator in a dispute against M/s. Sriram Products and others. The Company has claimed that the non-applicants have supplied inferior quality products to the Company and the ultimate foreign buyer M/s. National Medical Stores, Uganda pursuant to a bid awarded to Company. The Company has claimed an amount Rs. 49,05,114/- and interest. The petition is pending final hearing.

### **Proposed litigation by the Company**

The Company is proposing to file 6 execution proceedings against its ex-transporters who have not yet paid to the Company, monies due under various decrees of the District Court, Indore passed in favour of the Company. The total amount of monies decreed is approximately Rs. 30,06,713.

**Except as stated above, there are no litigation either against or by the Company, its associates, group companies, Promoters and Directors.**

## MATERIAL DEVELOPMENTS

Except as mentioned herein under, in the opinion of our Board of Directors, there have not arisen, since the date of the last financial statements disclosed in the Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or our ability to pay material liabilities within the next twelve months.

### 1. Acquisition of Unit in Jammu & Kashmir

We, as a lessee, have entered into a lease agreement dated January 7, 2006 with Protection Plus Pharmaceuticals Pvt. Ltd. in respect of a unit in Jammu including the structure, plant and machinery for manufacture of tablets, capsules and orals-beta lactum and non beta lactum along with herbals, furniture and fixtures. The lessor has granted the Company, the authority/power for conduct of business and handles day to day routine operations. The lease is valid for a period of 1 year or till determined earlier on the Company exercising an option to purchase the demised property.

The Company has also entered into a lease to purchase option agreement dated January 7, 2006 with Protection Plus Pharmaceuticals Pvt. Ltd. in respect of the abovementioned demised property. Under this agreement, the Company has the option to purchase the demised property for a consideration arrived at after completion of due diligence. Under this agreement, the option to purchase expires at midnight on August 31, 2006. The Company has remitted a non-refundable amount of Rs.1,50,000 upon the execution of this agreement to Protection Plus Pharmaceuticals Pvt. Ltd. which shall be adjusted against the consideration in the event the option to purchase is exercised by the Company.

2. We have issued bonus shares on 26<sup>th</sup> December 2005 in the proportion of 3 shares for every 1 share held. The equity share capital after the bonus issue stands at 3, 04, 00,000 equity shares of Face Value of Rs 10/- each.

3. On February 10, 2006 Mr. Shashikant Patel has sold 7,60,000 Equity Shares. For more details, please refer to section titled 'Capital Structure' page no. 18 of this Prospectus.

## LICENSES AND APPROVALS

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

### Approvals for the Business

#### **In respect of M/s Plethico Pharmaceuticals Limited, Village, Dharvara, Tehsil-Depalpur, Kalaria Indore.**

1. License No. HSMD/WZ/MPPCB/BHOPAL/316 issued for five years from 18/10/2002 by M.P. Pollution Control Board under Hazardous Wastes (Management & Handling) Rules, 1989 for collection and disposal of hazardous waste. Further amended vide Authorization No. HSMD/MPPCB/BPL/137 dated 16.06.2004 issued by M.P. Pollution Control Board under Hazardous Waste (Management & Handling) Amended Rules, 2003 to operate a facility to collect, treat and dispose off hazardous wastes, valid for five years from 18.10.2002.
2. License No. 232614341 dated 29.09.01 has been issued by the General Manager, District Trade & Industries Centre, Indore to function as a Small Scale Industry Unit.
3. License No. 101613985 dated 05.08.99 has been issued by the General Manager, District Trade & Industries Centre, Indore to function as a Small Scale Industry Unit.
4. Licence No.25/1/99 granted on 11.01.1999 under the Drugs and Cosmetics Rules, 1945, to Plethico Pharmaceuticals Limited for the premises situated at Village Dharvara, Post Kalaria – 453 771, Indore (M.P.) valid from 01.01.2003 till 31.12.2007.
5. Licence No.28/1/99 granted on 11.01.1999 under the Drugs and Cosmetics Rules, 1945, to Plethico Pharmaceuticals Limited for the premises situated at Village Dharvara, Post Kalaria – 453 771, Indore (M.P.) valid from 01.01.2003 till 31.12.2007.
6. Licence No.3090 ROI/PCB/05 renewed from 15.06.2004 to 31.05.2007 by a letter dated 22.06.2005 of the Regional Office of the M.P. Pollution Control Board, under section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 for manufacture of prescribed products.
7. Licence No.3089 ROI/PCB/05 renewed from 15.06.2004 to 31.05.2007 by a letter dated 22.06.2005 of the Regional Office of the M.P. Pollution Control Board under section 21 of the Air (Prevention & Control of Pollution) Act, 1981 for manufacture of prescribed products.
8. Certificate No.55, 56,57 & 58 Book Number 608 all dated 20.06.2005 issued by the Controller Weight & Measure (Legal Metrology) M.P. under Standards of Weights and Measures (enforcement) Act,1985 valid up to 19.06.2006.
9. Certificate of Registration No. AABCP3063G-XM-003 issued by the Deputy Commissioner of Central Excise, Indore, on 05.12.2001.
10. Registration of TIN Account Nos. 23670201939 & No.23100201719 with Commercial Tax Commissioner, Indore.

11. Agreement between MPSEB for HT Connection 1200 KVA issued by MPSEB Chief Engineer issued on 22.10.2003. Valid indefinitely.
12. Permissions issued from the Electrical Inspector for various D.G. Sets dated 13.04.98, 23.02.2004, 05.07.2003 and 23.02.2004.
13. Permission No.SKB/BOILER/418 from the District Trade and Industry Centre for the Boiler dated 21.11.2005 valid till 20.11.2006.
14. State Excise License No. 30/2003-2004 issued by District Excise Officer dated 10/10/2003 valid till 31.03.2006.
15. Wholesale Drug Licenses Nos. 22/2000/20B and 22/2000/21B issued by the Licensing Authority, Food and Drug Administration, Indore dated 01.01.2002 and valid till 31.12.2006.
16. Food License No. 1/PFA/05 issued by Licensing Authority, Food and Drug Administration, Indore dated 05.04.2005 valid till 31.03.2006.
17. Licence No.25D/26/2001 granted on 12.06.2001 under the Drug & Cosmetic Act, 1940 to manufacture for sale of Ayurvedic (include Siddha) or Unani Drugs for the premises situated at Village Dharavara, Post Kalaria – 453 001, Indore MP valid from 12.06.2001 to 31.12.2002 last renewed up to 31.12.2006.
18. Permission No.218-E/1173/EE/ES/Indore dated 06.11.2002 issued by Executive Engineer (Electrical Safety) and Deputy Electrical Inspector, Government of MP for charge of 1x2000 KVA transformer.
19. Certificate of Eligibility for exemption of Entry Tax No.IND/DTIC/TB/2002/79 dated 14.06.2002 issued by District Trade and Industry Centre, Indore, government of MP for General Division Village Dharavara, Post Kalaria, Tehsil Depalpur, Dist. Indore valid from 23.04.2001 to 22.04.2006.
20. Certificate of Eligibility for availing of the facility of exemption of payment of commercial tax NO.112/IND/DIC/TB/1999 dated 22.05.2000 issued by General manager, District Trade and Industry Centre, Indore, government of MP for Orliq Division Village Dharavara, Post Kalaria, Tehsil Depalpur, Dist. Indore valid from 01.07.1999 to 30.06.2006.
21. Certificate of Eligibility for availing of the facility of deferment of payment of commercial tax NO.IND/DTIC/TB/2002/121 dated 24.07.2002 issued by General manager, District Trade and Industry Centre, Indore, government of MP for General Division Village Dharavara, Post Kalaria, Tehsil Depalpur, Dist. Indore valid from 15.06.2001 to 14.06.2011.
22. Licence to import and stores petroleum products issued by the Office of the Chief Controller of Explosive, Department of Explosive, Government of India No.P-12(8)1833 dated 25.09.2001 for Village Dharavara, Post Kalaria, Tehsil Depalpur, Dist. Indore valid up to 31.12.2003 further renewed up to 31.12.2006 under No.P-12(8)1833 dated 24.11.2003.
23. Certificate issued by the Controller, Food and Drug Administration, M.P., dated 30.07.2003 for following WHO Good manufacturing practice valid for two years. An application letter for renewal for the year 2006 has been filed on 27.01.2006. Until the final approval the authority has granted a provisional extension for three months till 28.04.2006 by Certificate No. V/WHO.GMP/1/05/1913.

**In respect of M/s Plethico Pharmaceuticals Limited, A.B. Manglia, Indore (M.P.)**

1. Certificate of Registration No. AABCP3063G-XM-002 issued by the Deputy Commissioner of Central Excise, Indore, on 13.01.2003.
2. Certificate of Registration No. 10/16/08539/sthai/lau dated 25.04.87 has been issued by the District Industries Centre, Indore to function as a Small Scale Industry Unit.
3. Registration. With ESIC No. MP/18-14184-34 dated 08.09.2004 issued by the Regional Director, ESIC.
4. Licence No.3863 RO/PCB/Indore/2004 renewed from 01.04.2004 to 31.03.2007 by a letter dated 12.07.2004 by the Regional Office of the M.P. Pollution Control Board, under section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 for manufacture of prescribed products.
5. Licence No.3862 RO/PCB/Indore/2004 renewed from 14.12.2004 to 31.03.2007 by a letter dated 12.07.2004 by the Regional Office of the M.P. Pollution Control Board, under section 21 of the Air (Prevention & Control of Pollution) Act, 1981 for manufacture of prescribed products.
6. Certificate No. 19 (Book No.5260) dated 14.06.2005 issued by Controller Weight & Measure (Legal Metrology) MP under Standards of Weights and Measures (enforcement) Act, 1985 valid up to 07.06.2006 for use of measurement equipment.
7. Certificate No. 22 & 23 (Book No.5260) dated 21.06.2005 issued by Controller Weight & Measure (Legal Metrology) MP under Standard of Weights and Measures (enforcement) Act, 1985 valid up to 20.06.2006 for use of measurement equipment.
8. Certificate of Importer-Exporter Code No. 1188003283 dated 13.05.1988 issued by the Foreign Trade Development Officer, Bhopal.
9. Licence No.25/39/85 granted on 27.11.1993 under the Drugs and Cosmetics Rules, 1945, to Plethico Pharmaceuticals Limited for the premises situated at A.B. Road, Manglia – 453 771, Indore (M.P.) valid from 01.01.2003 till 31.12.2007.
10. Licence No.28/31/85 granted on 27.11.1993 under the Drugs and Cosmetics Rules, 1945, to Plethico Pharmaceuticals Limited for the premises situated at A.B. Road, Manglia – 453 771, Indore (M.P.) valid from 01.01.2003 till 31.12.2007.
11. Certificate of Good Manufacturing Practice dated 26.02.2005 issued by Licensing Authority, Food and Drugs Administration, Bhopal valid up to 21.07.2006.
12. Certificate No. 014479 dated 16.12.2004 certifying status of two star export house issued by Joint Director General of Foreign Trade, Bhopal valid till 31.03.2009.
13. Agreement with MPSEB issued by MPSEB Chief Engineer for HT Connection 750 KVA dated 05.08.2002.
14. Permissions from the Electrical Inspector for various D.G. Sets dated 04.07.2003, 04.07.2003 and 23.02.2004.
15. Permission No.SKB/BOILER/411 dated 09.09.2005 from the District Trade and Industry Centre for the Boiler valid from 04.09.05 till 03.09.2006.

16. Wholesale Drug Licenses No. 39/88/20B & 39/88/21B both originally issued on 11.06.1993 and last renewed on 31.03.04 by the Licensing Authority, Food and Drug Administration, Indore valid till 31.12.2007.
17. Licence to store petroleum products issued by the Office of the Chief Controller of Explosive, Department of Explosive, Government of India No. MP/ INDORE/LDO/32 dated 25.02.2003 for Village Gari Pipliya, Dist. Indore valid indefinitely provided stores capacity remains up to 45 kilo liters.
18. Permission No.1447/Indore dated 03.11.2000 issued by Executive Engineer (Electrical Safety) and Deputy Electrical Inspector, Government of MP for charge of 1x950 KVA transformer.
19. Registration No.MP/5330 dated 10.07.1986 issued by Commissioner, Office of the Regional Provident Fund, MP, Indore with effect from 01.10.1985.
20. Authorization No.HSMD/MPPCB/BPL/791 dated 17.06.2004 issued under Hazardous Waste (Management & Handling) Amended Rules, 1989 & Hazardous Waste (M&H) Amendment Rules, 2003 by M.P. Pollution Control Board to operate a facility to collect, treat and dispose of hazardous wastes, valid for a period of two years from 21.06. 2004.

**In respect of M/s Plethico Pharmaceuticals Limited, Beta Lactum Division, A.B. Road, Manglia, Indore, (M.P.)**

1. Authorization No. HSMD/MPPCB/BPL/808 dated 18.06.2004 issued under Hazardous Waste (Management & Handling) Amended Rules, 1989 & Hazardous Waste (M&H) Amendment Rules, 2003 by M.P. Pollution Control Board to operate a facility to collect, treat and dispose of hazardous wastes, valid for a period of two years from June 28, 2004.
2. Registration of TIN Account Nos. 23950201979 with Commercial Tax Commissioner, Indore.
3. Licence No.1210 ROI/PCB/05 renewed from 14.12.2004 to 30.11.2007 by a letter dated 09.03.2005 issued by the Regional office of the M.P. Pollution Control Board, under section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 for manufacture of prescribed products.
4. Licence No.1211 ROI/PCB/05 renewed from 14.12.2004 to 30.11.2007 by a letter dated 09.03.2005 issued by the Regional Office of the M.P. Pollution Control Board under section 21 of the Air (Prevention & Control of Pollution) Act, 1981 for manufacture of prescribed products.
5. License No. 23/26/14393 dated 14.01.02 has been issued by the General Manager, District Trade & Industries Centre, Indore to function as a Small Scale Industry Unit.
6. Certificate of Eligibility for exemption of payment of entry tax No.IND/DTIC/TB/2002/23 dated 24.07.2002 issued by General Manager, District Trade and Industry Centre, Indore, government of M.P. for Beta Lactum Division Village Gari Pipliya, Tehsil Sanwer, Dist. Indore valid from 10.12.2001 to 09.12.2006.
7. Certificate of Eligibility for availing of the facility of exemption of payment of commercial tax No.IND/DTIC/TB/2002/122 dated 24.07.2002 issued by General manager, District Trade and Industry Centre, Indore, Government of MP for Beta Lactum Division Village Gari Pipliya, Tehsil Sanwer, Dist. Indore valid from 14.12.2001 to 13.12.2006.

**In respect of M/s Plethico Pharmaceuticals Limited, P.No.37, Industrial Estate, Pologround, Indore**

1. Certificate of Registration No. AABCP3063G-XM-001 issued by the Deputy Commissioner of Central Excise, Indore, on 13.01.2003. This certificate is applicable to units 37 to 39 Industrial Estate Pologround, Indore.
2. Registration of PAN Nos. AABCP3063G dated 27.08.1992 issued by the Chief Commissioner, Bhopal. It is applicable to units 37 and 37A Industrial Estate Pologround, Indore
3. Wholesale Drug Licenses No. 587/20B/94 and 587/21B/94 dated 27.04.1994 issued by the Licensing Authority, Food and Drug Administration, Indore dated 01.01.2003 valid till 31.12.2007. It is applicable to units 37 and 37A Industrial Estate Pologround, Indore
4. Sales Tax TIN No. 23190201718 issued by the Commercial Tax Commissioner, Indore. It is applicable to units 37 to 39 Industrial Estate Pologround Indore.
5. Certificate No. 88 Book Number 492 dated 28.03.2005 issued by the Controller Weight & Measure (Legal Metrology) M.P. under Standards of Weights and Measures (Enforcement) Act, 1985 valid up to 27.03.2006.

**In respect of M/s Plethico Laboratories Pvt. Ltd., P. No. 38, Industrial Estate, Pologround, Indore from whom M/s. Plethico Pharmaceuticals Ltd. has taken the premises on lease.**

1. License No. 5764/ROI/PCB/05 renewing the consent No. 5692 Dated 31.10.1998 from 01.12.2005 to 30.11.2008 by a letter dated 13.12.05 issued by the Regional Office M.P. Pollution Control Board under section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 for manufacture of prescribed products.
2. License No. 5765/ROI/PCB/05 renewing the consent No. 5690 Dated 31.10.1998 from 01.12.2005 to 30.11.2008 by a letter dated 13.12.05 issued by the Regional Office M.P. Pollution Control Board under section 21 of the Air (Prevention & Control of Pollution) Act, 1981 for manufacture of prescribed products.
3. License No. HSMD/MPPCB/BPL/809 dated 21.06.2004 issued for two years from 28/06/2004 by M.P. Pollution Control Board under Hazardous Wastes (Management & Handling) Rules, 1989 for collection and disposal of Hazardous waste.

**In respect of M/s Plazma Laboratories Pvt. Ltd., P. No. 37, Industrial Estate, Pologround, Indore from whom M/s. Plethico Pharmaceuticals Ltd. has taken the premises on lease.**

1. Agreement with MPSEB issued by MPSEB Chief Engineer dated 11.11.2004 for HT connection of 150 KVA.
2. Permissions dated 05.02.2002 from the Electrical Inspector for two D.G. Sets dated 05.02.2002.
3. Permission No.904 dated 22.01.2001 issued by Executive Engineer (Electrical Safety) and Deputy Electrical Inspector, Government of MP for charge of 1x315 KVA transformer.

**M/s Plethico Pharmaceuticals Limited, Sheds No. 347-348, Sector- IV, Kandla Special Economic Zone, Gandhidham- Kutch- 370 230**

1. Grant of permission issued from Development Commissioner, Kandla, for setting up a unit at Kandla Economic Zone issued on 20.02.2001 under No.KSEZ/IA/1807/2001/245 valid for a period of 5 years from 20.02.2001.
2. Registration-cum-Membership Certificate No.3/II/64/2001-2002 dated 27.04.2001 issued by Deputy Development Commissioner, Kandla Special Economic Zone, Gandhidham valid till 26.04.2006.
3. Licence in modified form L-6 No.KSEZ/CUS/L-6/09/02/2000-01/07 dated 26.03.2001 issued by the Superintendent (P&I), Kandla Special Economic Zone for procurement of excisable goods without payment of excise duty leviable thereon.
4. Certificate of Registration as Small Scale industry unit No. 041105003 issued by District Industries Centre, Bhuj on 27.04.2001 valid till 26.04.2006.
5. State Sales Tax Registration Nos. 71861014 dated 11.04.2001 and Central Sales Tax Registration No.7182924 dated 11.04.2001 issued by Sales Tax Officer, Gandhidham, w.e.f. 29.03.2001.
6. Licence to manufacture for sale of Ayurvedic / Siddha or Unani Drugs bearing No. GA/1413 dated 14.06.2001 issued by the Licensing Authority (Ayurvedic, Siddha and Unani Drugs) Food and Drugs Administration, Gujarat valid till 31.12.06.
7. Certificate of Importer-Exporter Code No. 3701000077 issued by the Deputy Development Commissioner, Ministry of Commerce and Industry, Government of India on 27.04.2001 by a letter no. KASEZ/IA/1807/2001/2925.
8. Permission No.KASEZ/CUS/GC/03/04-05/9338 dated 02.03.2005 for export directly from the premises of job worker issued by the Deputy Commissioner of Customs, Kandla Special Economic Zone.
9. Registration for change in constitution from partnership firm to limited company as M/s. Plethico Pharmaceuticals Ltd. bearing No.KASEZ/IA/1807/2001/13592 dated 27.02.2004 issued by Assistant Development Commissioner, Kandla Special Economic Zone.
10. No objection certificate No.PC/NOC/KUTCH-457/12642 dated 18.05.2002 issued by the Gujarat Pollution Control Board, Gandhinagar, under Water (Prevention and Control of Pollution) Act, 1974, the Air Act, 1981 and Environment (Protection) Act, 1986.
11. Agreement dated 30.04.2001 with the Gujarat Electricity Board for sanction of Power Connection of 75 HP to Plethico Pharmaceuticals Ltd. Shed No. 347-348, A-II, Type, Sector 4, KASEZ, Gandhidham, Gujarat.

**Licenses under the EPGC Scheme which are still in force:**

<b>Licence No.</b>	<b>Date</b>	<b>Export Obligation (approx. Rs. in lacs)</b>
1130000039/2/11/00	10/08/2001	1,084.16
1130000056/2/11/00	13/02/2002	1,498.15
1130000160/2/11/00	09/09/2003	118.02
1130000285/2/11/00	14/07/2004	76.40
1130000309/2/11/00	18/08/2004	1.86
<b>Total</b>		<b>2,778.59</b>

**The following approvals, applications for approvals, granting of no objection certificates and in respect of which the receipt of the formal approvals/no objection certificates are pending.**

**In respect of M/s Plethico Pharmaceuticals Limited, Village, Dharvara, Tehsil-Depalpur, Kalaria Indore**

1. Licence No.300/15213/IND/2M(i) to Work as a Factory granted to Plethico Pharmaceuticals Limited located at Village Dharvara, Post. Kalaria, Indore via licence dated 14.02.2003 valid till 31.12.2003. An application for the renewal of this licence for the year 2004 was filed on 27.11.2003 and another application for the renewal of this licence for the year 2005 was filed on November 30.11.2004. An application for the renewal of this licence for the year 2006 was filed on 30.11.2005.

**In respect of M/s Plethico Pharmaceuticals Limited, A.B. Manglia, Indore (M.P.)**

1. Licence No.24/9456/IND/2M(i) to Work as a Factory granted to Plethico Pharmaceuticals Limited located at A.B. Road, Manglia, Indore, issued by Government of Madhya Pradesh vide Licence dated 14.06.2005 valid till 31.12.2005. On 30.11.2005, the Company has filed an application in the prescribed form along with the prescribed fees for renewal of the licence for the year 2006. Mr. S. A. Patel has been nominated the occupier of this factory.

**In respect of M/s Plethico Pharmaceuticals Limited, 1<sup>st</sup> Floor, Crimpage Corporation Plot No. 57, Road No. 17, MIDC, Andheri (E) Mumbai-400 093**

1. Certificate No. KE-11/011241 application for renewal of registration for the year 2006 under the Bombay Shops and Establishment Act 1948.

We have all the approvals and renewals required for the purposes of running the business. For any expired licences and approvals, application for the same has been made to the respective authorities.

## SECTION VIII: OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The shareholders have, pursuant to a resolution dated December 27<sup>th</sup>, 2005 under Section 81(1A) of the Companies Act, authorised the Issue in accordance with applicable law.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, Directors or the person(s) in control of our Promoters, our affiliates and companies with which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

### Eligibility of the issuer company

*We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:*

- We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a pre-Issue net worth of not less than Rs. 10 million in each of the three preceding full years;
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended September 30, 2005;
- We have not changed our name during the last one year.

As per the certificate given by the Statutory Auditors of the Company, M/s N.P.Gandhi & Co, Chartered Accountants dated February 6, 2006 the distributable profits as per Section 205 of the Companies Act and net worth for the last five years as per our restated unconsolidated financial statements are as under:

	<i>(in Rs. million)</i>				
	<b>June 2001</b>	<b>June 2002</b>	<b>June 2003</b>	<b>September 2004 (15 Mths)</b>	<b>September 2005</b>
Distributable Profits <sup>(1)</sup>	149.76	160.79	164.45	1055.93	561.30
Net Worth <sup>(2)</sup>	766.48	906.93	1060.41	2083.79	2623.43
Net Tangible Assets <sup>(3)</sup>	404.18	715.77	908.22	989.96	985.64
Monetary Assets <sup>(4)</sup>	23.03	64.83	18.70	37.31	30.96
Monetary Assets as a % of Net Tangible Assets	5.70	9.06	2.06	3.77	3.14

*(1) Distributable profits have been defined in terms of section 205 of the Companies Act.*

- (2) *Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.*
- (3) *Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.*
- (4) *Monetary assets comprise of cash and bank balances, public deposit account with the Government.*

Further, the Issue is subject to the fulfilment of the following conditions as required by the Rule 19(2)(b) of SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm Allotments and promoters contribution) are offered to the public;
- The Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building method with allocation of 60% of the Issue size to QIBs as specified by SEBI.

In addition, we shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

### **Disclaimer Clause**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ANAND RATHI SECURITIES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS AND THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ANAND RATHI SECURITIES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 11, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

**“(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
- (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.
  - (D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.
  - (E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”
  - (F) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.”

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENTS OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

## **DISCLAIMER FROM OUR COMPANY AND THE BRLM**

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

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and us dated January 13<sup>th</sup> 2006 and the Underwriting Agreement to be entered into among the Underwriters and us dated April 19, 2006.

All information shall be made available by BRLM and us to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc. We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

### **Disclaimer in respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds). This Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform him or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Indore only.

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

### **Disclaimer clause of the NSE**

As required, a copy of this offer document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given by its letter NSE / LIST / 21208-X dated March 28, 2006 permission to the Issuer to use NSE's name in this Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed. NSE has scrutinized the Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of the Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **Disclaimer clause of the BSE**

As required, a copy of the Prospectus has been submitted to the BSE. BSE has given by its letter List/Smg/sm/2006 dated March 27, 2006, permission to the Company to use BSE's name in this Prospectus as one of the stock exchanges on which this Company's further securities are proposed to be listed. BSE has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
- (ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Prospectus has been cleared or approved by BSE.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Filing**

A copy of the Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021 *for its observations.*

A copy of the Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with ROC situated at Gwalior, Madhya Pradesh.

#### **Listing**

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of our Company. We have received in principle approvals from the NSE and the BSE dated March 28, 2006 and March 27, 2006 respectively. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalized for the QIB Portion, the Non-Institutional Portion and Retail Portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/ Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

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

### Consents

Consents in writing of our Directors, the Company Secretary and Compliance Officer, the Auditors, the Domestic Legal Counsel, the Bankers to the Issue, Bankers to the Company and the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the ROC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the ROC.

N.P.Gandhi & Co., Chartered Accountants, our auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the ROC.

### Expert opinion

Except as stated in the sections titled, “Statement of Tax Benefits” and “Financial Statements” beginning on pages 56 and 155 respectively, of the Prospectus, we have not obtained any expert opinions.

### Expenses of the Issue

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

Particulars	Expenses (Rs Mn)	As a % of the Issue size
Management fees, underwriting commission and brokerage	33.00	3.00%
Marketing and advertisement expenses	19.00	1.72%
Stationary, printing and registrar expenses	16.90	1.53%
Legal fees, listing fees, book building charges, auditors fees	3.50	0.31%
Miscellaneous	6.50	0.59%
<b>Total</b>	<b>78.90</b>	<b>7.17%</b>

The Company shall pay the listing fees and all other expenses with respect to the Issue shall also be paid by the Company.

### Fees payable to the Book Running Lead Managers and Syndicate Members

The total fees payable by us to the Book Running Lead Managers (including underwriting commission and selling commission) will be as per Engagement Letter dated 22<sup>nd</sup> December 2005 a copy of which is available for inspection at our registered and corporate office.

### Fees payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/ refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with our Company dated 1<sup>st</sup> February 2006.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by us to the Registrar

to the Issue to enable them to send refund orders or Allotment advice by registered post/ speed post/ under certificate of posting.

### **Underwriting Commission, Brokerage and Selling Commission**

The underwriting commission and selling commission for the Issue is as set out in the Underwriting Agreement amongst the Company, the BRLM and the Syndicate Members. The underwriting commission shall be paid as set out in the Underwriting Agreement based on the Issue Price and the amount underwritten as stated in paragraph “Underwriting Agreement” on page 16 of this Prospectus.

### **Previous rights and public issues**

We have not made any public or rights issue of shares and except as stated in the section titled “Capital Structure” beginning on page 18 either in India or abroad in the five years preceding the date of this Prospectus.

### **Issues otherwise than for cash**

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

### **Commission and brokerage paid on previous Equity Issues by us**

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

### **Companies under the same management, which made Capital Issues during last 3 years**

There are no listed companies under the same management which made any capital issues during last 3 years.

### **Promise v/s Performance – Last issue of group/ associate companies**

None of our companies are listed and consequently we are not required to furnish details of Promise v/s Performance in respect of the last issues of our group / associate companies.

### **Outstanding debentures or bonds or redeemable preference shares**

Except as stated herein, there are no outstanding bonds or redeemable preference shares and other instruments issued by us as of the date of this Prospectus. For details please see the section titled “Capital Structure” beginning on page 18 of the Prospectus.

### **Stock market data for our Equity Shares**

This being an initial public offering of our Company, the Equity Shares are not listed on any stock exchange.

### **Mechanism for Redressal of Investor Grievances**

The Memorandum of Understanding between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for Redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant, and the bank branch or collection center where the application was submitted.

#### **Disposal of investor grievances by our Company**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Pankaj Pabaiya, our company secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

**Mr. Pankaj Pabaiya**  
Plethico Pharmaceuticals Limited,  
A.B.Road, Manglia – 453771  
Indore, India  
Tel: +91-0731-2422881-85;  
Fax: +91-0731-2420938  
E-mail: ipo@plethico.com

#### **Changes in Auditors**

We have not changed our Auditors over the last three years.

#### **Capitalisation of Reserves or Profits**

We have not capitalised any reserves or profits since our incorporation.

#### **Revaluation of assets**

There has been no revaluation of assets by our Company.

## SECTION IX: ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Company, the terms of this Prospectus, the Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Authority for the Issue

The issue of Equity Shares in the Issue by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on November 27<sup>th</sup> 2005, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of the shareholders of the Company held on December 27<sup>th</sup> 2005 at Indore.

#### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Company and shall rank *pari passu* in all respects with the existing Equity Shares of the Company, including rights in respect of dividends. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment. See the section titled “Main Provisions of the Articles of Association” on page 256 of this Prospectus.

#### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Prospectus at a total price of Rs. 300 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Issue Price is 30 times of the face value.

#### Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Main Provisions of the Articles of Association” on page 256 of this Prospectus.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form subject to minimum allotment of 20 Equity Shares and in multiples of one Equity Share thereafter. For details of allocation and allotment, see the section titled “Issue Procedure—Basis for Allotment” on page 248 of this Prospectus.

### **Nomination Facility to the Investor**

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or at the Registrar and Transfer Agents of our Company.

In the nature of the rights stated in Section 109B of the Companies Act, any person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either: to register himself or herself as the holder of the Equity Shares; or to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the Allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**

If we do not receive the minimum subscription of 90% of the Fresh Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Indore, India.

### **Subscription by Non-Residents, NRI, FIIs**

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

**AS PER RBI REGULATIONS, OCBS CANNOT PARTICIPATE IN THE ISSUE.**

### **Application in Issue**

Equity Shares being issued through this Prospectus can be applied for in the dematerialised form only.

### **Withdrawal of the Issue**

The Company in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

### **Arrangements for Disposal of Odd Lots**

The Company’s shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

### **Restriction on Transfer and Transmission of Shares**

Nothing contained in the Articles of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

## ISSUE STRUCTURE

The present Issue of 36,66,667 Equity Shares, at a price of Rs. 300 for cash, aggregating Rs. 1100 million comprises Issue to the Public of 36,66,667 Equity Shares. The Issue to the public is being made through the Book Building Process. The Issue, if fully subscribed will aggregate Rs. 1100 million.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
<b>Number of Equity Shares*</b>	Atleast 22,00,000 Equity Shares.	Not less than 3,66,667 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 11,00,000 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
<b>Percentage of Issue size available for Allocation</b>	At least 60% of the Issue or the Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, upto 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	Not less than 10% of the Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 30% of the Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
<b>Basis of Allocation if respective category is oversubscribed</b>	Proportionate as follows:  (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion;  (b) Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.
<b>Minimum Bid</b>	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares.	Minimum 20 Equity Shares and in multiples of 20 Equity Shares
<b>Maximum Bid</b>	Such number of Equity Shares not exceeding the Issue, subject to applicable	Such number of Equity Shares not exceeding the Issue	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.

	limits.	subject to applicable limits.	100,000.
<b>Mode of Allotment</b>	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialized form.
<b>Bid/Allotment lot</b>	Minimum 20 Equity Shares and in multiples of 1 Equity Shares thereafter	Minimum 20 Equity Shares and in multiples of 1 Equity Shares thereafter	Minimum 20 Equity Shares and in multiples of 1 Equity Shares thereafter
<b>Trading Lot</b>	One Equity Share.	One Equity Share.	One Equity Share.
<b>Who can Apply**</b>	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, Mutual Funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Resident Indian individuals, NRIs, HUF (in the name of Karta), companies, bodies' corporate, scientific institutions societies and trusts.	Individuals, including NRIs and HUF (in the name of Karta), such that the Bid Amount does not exceed Rs. 100,000.
<b>Terms of Payment</b>	Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
<b>Margin Amount</b>	Atleast 10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

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

*Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 1,10,000 Equity Shares (assuming QIB Portion is 60% of the Issue size, i.e. 22,00,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.*

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

## ISSUE PROCEDURE

### Book Building Process

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

The principal parties involved in the Book Building Process are:

- The Company;
- The Book Running Lead Managers;
- The Syndicate Members, who are intermediaries registered with SEBI or registered as a broker with NSE/ BSE and eligible to act as underwriters. The Syndicate Members are appointed by the BRLM; and
- The Registrar to the Issue.

SEBI, through its guidelines, has permitted issue of securities to the public through 100% Book Building Process, wherein: (i) Atleast 60% of the Issue to the public shall be allocated on a proportionate basis to QIBs, including up to 5% of the QIB Portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds; (ii) not less than 10% of the Issue to the public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) not less than 30% of the Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid /Issue Closing Date. For further details please see the section titled “Terms of the Issue” beginning on page 221.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Anand Rathi Securities Private Limited as the BRLM to manage the Issue and to procure subscription to the Issue.

**Illustration of Book Building and Price Discovery Process** *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue).*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the websites of the BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)). The illustrative book as shown below, shows the demand for the shares of a company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is Rs. 42 in the above example. The issuer, in consultation with the BRLM will finalise the issue price at or below such price i.e. at or below Rs. 42. All bids at or above this issue price and bids at cut-off are valid bids and are considered for allocation in respective category.

#### Steps to be taken for Bidding:

- Check eligibility for making a Bid (see section titled “Issue Procedure - Who Can Bid” beginning on page 229);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copy of your PAN card to the Bid cum Application Form (see section titled “Issue Procedure - ‘PAN’ or ‘GIR’ Number” beginning on page 245);
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Prospectus and in the Bid cum Application Form.

#### Withdrawal of the Issue

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

#### Bid/Issue Programme

##### Bidding /Issue Period

<b>BID/ISSUE OPENED ON</b>	<b>April 10, 2006 (Monday)</b>
<b>BID/ISSUE CLOSED ON</b>	<b>April 17, 2006 (Monday)</b>

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

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

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.

#### Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the ROC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the

BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

### **Bid cum Application Form**

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

<b>Category</b>	<b>Color of Bid cum Application Form</b>
Indian public, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs, FVCIs, FIIs, etc. applying on a repatriation basis	Blue

### **Who can Bid**

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Eligible Non-Residents including NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws
4. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
5. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
6. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
7. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
8. Mutual Funds registered with SEBI;
9. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
10. Multilateral and bilateral development financial institutions;
11. State Industrial Development Corporations;
12. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
13. FII registered with SEBI;
14. Venture capital funds registered with SEBI;
15. Foreign venture capital investors registered with SEBI; and
16. Scientific and/or industrial research organisations authorised to invest in equity shares.

**Note:** Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

#### **Maximum and Minimum Bid Size**

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

#### **Information for the Bidders:**

- (a) Our Company will file the Prospectus with the ROC atleast 3 days before the Bid/issue Opening date.
- (b) The members of the Syndicate will circulate copies of the Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

- (e) The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement

### **Method and Process of Bidding**

- (a) The Syndicate Members shall accept Bids from the Bidders during the Bidding/ Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- (c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details please see section titled “Issue Procedure - Bids at Different Price Levels” beginning on page 231 within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled “Issue Procedure - Build up of the Book and Revision of Bids” beginning on page 235.
- (e) The Syndicate Members will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

During the Bidding/ Issue Period, Bidders may approach members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Prospectus.

- (f) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled “Issue Procedure - Terms of Payment” beginning on page 234.

### **Bids at different price levels**

- (a) The Price Band has been fixed at Rs. 280 to Rs. 300 per Equity Share of Rs. 10 each, Rs. 280 being the Floor Price and Rs. 300 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.

- (b) In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding/ Issue Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- (c) In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
- (d) We in consultation with the BRLM can finalize the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**
- (f) Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Bidders, who Bid at Cut-Off (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Bidders who Bid at Cut-off, shall receive the refund of the excess amounts from the Escrow Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-Off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 20 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

### **Application in the Issue**

Equity Shares being issued through the Prospectus can be applied for in the dematerialized form only.

### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 1,10,000 Equity Shares, Allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

### **Multiple Bids**

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

*As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:*

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

### **Bids by NRIs**

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color).

### **Escrow Mechanism**

We shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Accounts**

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the section titled “Issue Procedure - Payment Instructions” beginning on page 243) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account of the Company with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account of the Company shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled “Issue Structure” on page 224. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid /Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### **Electronic Registration of Bids**

- (a) The Syndicate Members will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least individual on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding/Issue Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the

- off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE displayed on-line at all bidding centers and at the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding/ Issue Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
- Name of the investor
  - Investor category – individual, corporate, NRI, FII, or Mutual Fund etc.
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid cum Application Form number
  - Whether Margin Amount has been made upon submission of Bid cum Application Form
  - Depository participant identification no. and client identification no. of the beneficiary account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (h) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

#### **Build up of the book and revision of Bids**

- (a) Bids of various Bidders/ registered through the Syndicate Members shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding /Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the

- Bidding /Issue Period using the printed Revision Form which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
  - (e) The Bidder can make this revision any number of times during the Bidding/ Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**
  - (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
  - (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
  - (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

#### **Price Discovery and Allocation**

- (a) After the Bid /Issue Closing Date, the BRLM will analyze the demand generated at various price levels.
- (b) We in consultation with the BRLM, shall finalise the “Issue Price” and the number of Equity Shares to be allocated in each investor category.
- (c) The allocation to Non-Institutional Bidders and Retail Individual Bidders of upto 10% and 30% of the Issue respectively, and the allocation to QIBs for atleast 60% of the Issue, would be on proportionate basis, in the manner specified in the SEBI Guidelines and this Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

- (d) Under subscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 1,10,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange.
- (e) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) Allocation to Non-Residents applying on repatriation basis will be subject to the applicable law.
- (g) We reserve the right to cancel the Issue any time after the Bid /Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
- (h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid /Issue Closing Date.

#### **Signing of Underwriting Agreement and ROC Filing**

- (a) We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price
- (b) After signing the Underwriting Agreement, we would update and file the updated Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

#### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the ROC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of CAN**

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, Bidders should note that the Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares Allocated to such Bidder. Those Bidders who have paid the Margin Amount into the Escrow

Account at the time of bidding shall pay in the balance amount into the Escrow Account by the Pay-in Date specified in the CAN.

- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

#### **Designated Date and Allotment of Equity Shares**

- (a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid /Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of Allotment.
- (b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

#### **Letters of Allotment or Refund Orders**

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the Allotment. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS.

We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid /Issue Closing Date except for Bidders who have opted to receive refunds through the ECS facility.

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

- Allotment shall be made only in dematerialised form within 15 days from the Bid /Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid /Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

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

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who

have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

## GENERAL INSTRUCTIONS

### Do's:

- a) Check if you are eligible to apply.
- b) Read all the instructions carefully and complete the Bid cum Application Form (white, blue or pink in colour) as the case may be.
- c) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only.
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.
- e) Ensure that you have been given a TRS for all your Bid options.
- f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.
- g) Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN card or PAN allotment letter should be submitted with the application form. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.
- i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

### Don'ts:

- (a) Do not Bid for lower than the minimum Bid size.
- (b) Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band.
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.
- (d) Do not pay the Bid amount in cash, by money order or by postal order or by stock-invest.
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.
- (f) Do not Bid at Cut-Off (for QIB Bidders and Non-Institutional Bidders).

- (g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- (h) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

#### **INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

#### **Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White, Blue or Pink colour).
- (b) In single or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

#### **Bidder's depository account details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form. By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidders due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

#### **Bidder's bank details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLM may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

#### **Bids by Non-Residents, NRIs and FIIs on a repatriation basis**

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 20 thereafter that the Bid Amount exceeds Rs. 100,000. For further details please see section titled "Issue Procedure - Maximum and Minimum Bid Size" beginning on page no. 230.
4. In the names of individuals, or in the names of FIIs, FVCIs, etc but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the government of India, OCBs cannot participate in this Issue.

## PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

### *Payment into Escrow Account*

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (ii) In case the above Margin Amount paid by the Bidders during the Bidding/ Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- (iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of resident QIB Bidders: **“Escrow Account- Plethico Public Issue- QIB-R”**
  - (b) In case of Non-Resident QIB Bidders: **“Escrow Account- Plethico Public Issue- QIB-NR”**
  - (c) In case of Resident Bidders: **“Escrow Account – Plethico Public Issue”**
  - (d) In case of Non-Resident Bidders: **“Escrow Account – Plethico Public Issue - NR”**
    - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.
    - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
- (iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.
- (v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- (vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

- (vii) On the Designated Date and not later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearinghouse located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stock-invest/ money orders/postal orders will not be accepted. Cash/Stockinvest/money orders/postal orders will not be accepted. Investors in the QIB category may also make payments by RTGS.

#### **Payment by Stockinvest**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

#### **SUBMISSION OF BID CUM APPLICATION FORM**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in case of Individuals**

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

### **‘PAN’ or ‘GIR’ Number**

Where Bid(s) is/ are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the I.T. Act. **The copy of the PAN card (s) or PAN allotment letter(s) is required to be submitted with the bid-cum-application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/ First Bidder and joint Bidder(s) is/ are not required to obtain PAN, each of the Bidder(s) shall mention “Not Applicable” and in the event that the sole Bidder and/ or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention “Applied for” in the Bid cum Application Form. Further, where the Bidder(s) has mentioned “Applied for” or “Not Applicable”, the sole/ First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as may be applicable.**

### **Unique Identification Number (“UIN”)**

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and circular issued in connection thereto by its circular bearing number MAPIN/Cir-13/2005.

### **Right to reject Bids**

In case of QIB Bidders, the Company, in consultation with the BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk.

### **Grounds for technical rejections**

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of first Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
- Bids by minors;
- **PAN not stated if Bid is for Rs. 50,000 or more and GIR number furnished instead of PAN;**

- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-Off by Non-Institutional Bidders and QIB Bidders;
- Bids for number of Equity Shares, which are not in multiples of 20;
- Category not ticked;
- Multiple Bids as defined in this Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by stock invest/money order/postal order/cash;
- Signature of sole and/or joint Bidders missing;
- Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Members;
- Bid cum Application Form does not have the Bidder's depository account details;
- Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form, Bid /Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Bid cum Application Form;
- In case no corresponding record is available with the Depositories that match three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page 231;
- Bids by QIBs not submitted through Anand Rathi Securities Private Limited
- Bids by OCBs;
- Bids by U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act; and

#### **Equity Shares in dematerialised form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a) an agreement dated March 27, 2006 between NSDL, us and Registrar to the Issue;
  - b) an agreement dated March 31, 2006 between CDSL, us and Registrar to the Issue.
- a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
  - b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
  - c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

- d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
- e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

### COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

### PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. Pankaj Pabaiya, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

**Mr. Pankaj Pabaiya**

Plethico Pharmaceuticals Limited,  
A.B.Road, Manglia – 453771  
Indore, India

**Tel:** +91-0731-2422881-85;

**Fax:** +91-0731-2420938

**E-mail:** ipo@plethico.com

### IMPERSONATION

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

**“Any person who:**

- (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.”**

## **Basis of Allocation**

### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to 11,00,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this category is greater than 11,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 20 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

### **B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 3,66,667 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- In case the aggregate valid Bids in this category is greater than 3,66,667 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 20 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

### **C. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Fund Portion. After completing proportionate allocation to Mutual Funds for an amount of upto 1,10,000 Equity Shares (the Mutual Fund Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Fund Portion). For the method of allocation in the QIB Portion please see the paragraph titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds is less than 1,10,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. In the event that the valid Bids in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to atleast 60% of the Issue size, i.e. 22,00,000 Equity Shares.
  
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - I. In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - II. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    - III. Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
  
- Except for any shares allocated to QIB Bidders due to under subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 22,00,000 Equity Shares For the method of proportionate basis of allocation refer below.

The Executive Director/Managing Director of BSE along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the relevant guidelines.

### Method of Proportionate Basis of allocation in the Issue

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 20 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 20 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be allotted a minimum of 20 Equity Shares.

If the proportionate allotment to a Bidder is a number that is more than 20 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

### Illustration of Allotment to QIBs and Mutual Funds (“MF”)

#### A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (60% of the Issue)	120 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	6 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	114 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

**B. Details of QIB Bids**

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	<b>TOTAL</b>	<b>500</b>

# A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

**C. Details Of Allotment To QIB Bidders/Applicants**

(Number of equity shares in million)

Type of QIB bidders	Shares bid for (in million)	Allocation of 6 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	11.54	0
A2	20	0	4.61	0
A3	130	0	30.00	0
A4	50	0	11.54	0
A5	50	0	11.54	0
MF1	40	1.2	8.96	10.16
MF2	40	1.2	8.96	10.16
MF3	80	2.4	17.90	20.30
MF4	20	0.6	4.48	5.08
MF5	20	0.6	4.48	5.08
	<b>500</b>	<b>6</b>	<b>114</b>	<b>50.78</b>

*Please note:*

- The illustration presumes compliance with the requirements specified in this Prospectus in the section titled “Issue Structure” beginning on page 224.

2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million shares in the QIB Portion.
3. The balance 114 million Equity Shares [i.e. 120 - 6 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 114 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under :
  - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 114 / 494
  - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e in column II of the table above) less Equity Shares allotted ( i.e., column III of the table above)] X 114 / 494
  - The numerator and denominator for arriving at allocation of 114 million Equity Shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

#### **Disposal of Applications and Application Moneys**

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment. We shall dispatch refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk except for Bidders who have opted to receive refunds through the ECS facility or RTGS or Direct Credit. and adequate funds for this purpose shall be made available to the Registrar for this purpose.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of finalization of the basis of allotment.

#### **Interest in case of delay**

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
- dispatch of refund orders within 15 (fifteen) days of the Bid /Issue Closing Date would be ensured; and
- We shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### **Undertaking by our Company**

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

### **Mode of making refunds**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference

- I. Direct Credit – For investors having their Bank Account with the Escrow Bankers, the refund amount would be credited directly to their Bank Account with the Escrow Banker.
- II. RTGS – Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the Bid cum Application form.
- III. ECS - Payment of refund would be done through ECS for applicants residing at one of the 15 centres, namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram, where clearing houses for ECS are managed by Reserve Bank of India. This would be subject to availability of complete Bank Account Details including MICR code from the depository.

**For all the other applicants excepts for whom payment of refund is possible through I, II and III, the refund orders would be dispatched “Under Certificate of Posting” for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.**

### **Utilisation of Issue proceeds**

Our Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

### **Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued there under. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total issued share capital.

### **Subscription by NRIs/ FIIs**

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

### **As per the RBI regulations, OCBs cannot participate in this Issue.**

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

### **As per the current regulations, the following restrictions are applicable for investments by FIIs:**

No single FII can hold more than 10% of the post-issue paid-up capital of our Company (i.e., 10% of [●] Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

**Plethico Pharmaceuticals Limited**

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The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

## SECTION X: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

### MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company. Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/splitting are detailed below.

The regulations contained in table 'A' of the First schedule to the Companies Act, 1956 shall not apply to the Company except in so far as they are embodied in the following Articles, which shall be the regulations for the management of the Company.

#### Power to issue Preference Shares

3. The Company shall have power to issue preference shares carrying a right of redemption or liable to be redeemed at the option of the Company and the Directors may subject to the provisions of the Companies Act in that behalf exercise such powers in any manner as they may think fit.

### CAPITAL

#### Share Capital

4. The Authorised Share Capital of the Company is Rs. 40,00,00,000/- (Rupees Forty Crores only) divided into 4,00,00,000 (Four Crore only) Equity Shares of Rs.10 each with the rights, privileges and conditions attached thereto as per the relevant provisions contained in that behalf in these presents and with power to the Company to increase or reduce the capital and to divide the shares in the capital for the time being into several classes (being those specified in the Companies Act, 1956) and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in Accordance with the Articles of Association of the Company and to vary, modify, enlarge or abrogate any such rights, privileges or conditions in such manner as may be permitted by the said Act or provided by these Articles of Association of the Company.

#### Buyback of Shares

5. Notwithstanding the provisions contained in the Article-4, the Company shall have the power, subject to and in accordance with all the provisions of sections 77A, 77AA, 77B and other applicable provisions of the Companies Act and the provisions of the SEBI Guidelines for buyback of shares/securities and any other law, and subject to such approvals, permissions and sanctions, if any, as may be necessary, to purchase, acquire or hold its own shares whether or not they are redeemable, on such terms and conditions and upto such limits as may be prescribed by law from time to time, provided that nothing herein contained shall be deemed to affect the provisions of Sections 100 to 104 and Section 402 of the Act in so far as and to the extent they are applicable.

#### Restriction on allotment

6. If the Company shall offer any of its shares to the public for subscription, the Directors shall not make any allotment thereof unless the conditions specified in the provisions of the Companies Act and the SEBI Guidelines have been complied with.

#### Shares at the disposal of the Directors

7. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance

with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may Issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so, issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

**Return of allotment**

8. As regards all allotments from time to time made, the Directors shall duly comply with the provisions of the Companies Act.

**Commission for placing shares**

9. The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture-stock of the Company or procuring or agreeing to procure subscription (whether absolute or conditional) for any shares, debentures or debenture-stock of the Company, but so that if the commission in respect of shares shall be paid or payable out of capital, the statutory conditions and requirements shall be observed and complied with and the amount or the rate of commission shall not exceed five per cent of the price at which the shares are issued or two and half per cent of the price at which the debentures or debenture-stock are issued. The commission may be paid or satisfied in cash or in shares, debentures or debenture-stock of the Company.

**Calls on shares of same class to be on uniform basis**

10. Where any calls of partly paid-up share capital are made such calls shall be made on a uniform basis on all shares falling under the same class. For the purpose of this Article, shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

**Installment on shares to be duly paid**

11. If, by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installment, every such installment shall, when due, be paid to the Company by the person who for the time being shall be registered holder of the share.

**Liability of joint holders of shares**

12. The joint holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share.

**Trusts not recognised**

13. Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof, and accordingly shall not, except as ordered by a Court of competent jurisdiction, or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other person.

**Beneficial owner deemed as absolute owner**

14. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears as the beneficial owner of the shares, debentures and other securities in the records of the Depository as the absolute owner thereof as regards receipt of dividend or bonus on shares, interest/premium on debentures and other securities and repayment thereof or for service of notices and all or any other matters connected with the Company and

accordingly the Company shall not (except as ordered by the Court of competent jurisdiction or as by law required and except as aforesaid) be bound to recognize any benami trust or equity or equitable, contingent or other claim to or interest in such shares, debentures or other claim to or interest in such shares, debentures or other securities as the case may be, on the part of any other person whether or not it shall have express or implied notice thereof.

#### **CERTIFICATES**

15. Delivery by the Company of Share/Debenture Certificate upon allotment or registration of transfer of any Share/Debentures, Debenture Stock or Bond issued by the Company shall be governed and regulated by Section 113 of the Act and the Companies (Issue of Share Certificate) Rules, 1960, SEBI Guidelines and the conditions of the listing agreement with the Stock Exchanges.

#### **Limitation of time for issue of certificates**

16. Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of Issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares, as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be borne to Issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.

#### **Company entitled to dematerialize its Shares, Debentures and other Securities**

17. Notwithstanding anything contained in these Articles, the Company shall be entitled dematerialized its shares, debentures and other securities and to offer any shares, debentures or other securities proposed to be issued by it for subscription in a dematerialized form and on the same being done, the Company shall further be entitled to maintain a Register of Members/ Debenture holders/ other Security holders with the details of members/ debenture holders/ other security holders holding shares, debentures or other securities both in physical form and dematerialized form in any media as permitted by law including any form of electronic media, either in respect of the existing shares, debentures or other securities or any future issues thereof.

#### **Shares, Debentures and other security held in Electronic form**

18. In the case of transfer of shares, debentures or other securities where the Company has not issued any certificates and where such shares, debentures or other securities are being held in an electronic and fungible form, the provisions of Depositories Act, 1996 shall apply.

#### **Issue of new Certificate in place of one defaced, lost or destroyed**

19. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, and a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate.

Every certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for Issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided further that notwithstanding what is stated above, the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

**To which of joint holders certificate to be issued**

20. The certificate of shares registered in the names of two or more persons shall, unless otherwise directed by them, be delivered to the person first named on the register.

**Issue of certificates, if required, in the case of dematerialised share/debentures/other securities and rights of beneficial owner of such shares/ debentures/ other securities.**

21. Notwithstanding anything contained in Articles 15 to 20, certificate, if required, for a dematerialized share, debenture and other security shall be issued in the name of the Depository and all the provisions contained in Articles 15 to 20 in respect of the rights of a member/debenture holder of the Company shall mutatis mutandis apply to the Depository as if it were a member/debenture holder/security holder excepting that and notwithstanding that the Depository shall have been registered as the holder of a dematerialized share, debenture and other security, the person who is the beneficial owner of such shares, debentures and other securities shall be entitled to all the rights (other than those set out in Articles 15 to 20) available to the registered holders of the shares, debentures and other securities in the Company as set out in the other provisions of these Articles.

## CALLS

**Calls**

22. The Board of Directors may from time to time make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments.

**When calls deemed to have been made**

23. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed.

**Notice of call**

24. Thirty days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.

**When interest on call or installments payable**

25. If the sum payable in respect of any call or installments be not paid on or before the day appointed for payment thereof, the holder for the time being of the share in respect of which the call shall have been made, or the installments shall be due, shall pay interest for the same at the rate of nine per cent per annum from the day appointed for the payment thereof to the time of the actual payment, or at such other rate as the Board of Directors may determine.

The Directors may in their absolute discretion waive the payment of interest under this in the case of any person liable to pay such calls.

**Evidence in action for call**

26. 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 sued is entered in the register as the holder, or one of 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;
  - that notice of such call is duly recorded in the minute book; and
  - that notice of such call was duly given to the member sued, in pursuance of these presents; and it shall not be necessary to prove the appointment of Directors who make such call, nor any other matters whatsoever, but the proof of the matters aforesaid, shall be conclusive evidence of the debt.

**Payment in anticipation of calls may carry interest**

27. (a) The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

(b) The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

(c) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

## **FOREFEITURE AND LIEN**

**If call or installments not paid notice may be given**

28. If any member fails to pay the whole or any part any call or installments on or before the day appointed for the payment of the same, the Board of Directors may at any time thereafter, during such time as the call or installments remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

**Form of Notice**

29. The notice shall name a day and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

**If notice not complied with shares may be forfeited**

30. If the requisitions of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest and expenses, due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

**Notice of forfeiture to a member**

31. When any shares have been so forfeited, notice of forfeiture shall be given to the concerning members, in whose names stood immediately prior to the forfeiture and an entry of the forfeiture appeared in the, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

**Forfeited shares to become property of the Company**

32. Any share so forfeited shall be deemed to be the property of the Company, and the Board of Directors may sell, re-allot and otherwise dispose of the same in such manner as they may think fit.

**Power to annul forfeiture**

33. The Directors may at any time before any shares so forfeited shall have been sold, re allotted or otherwise disposed of, annul the forfeited thereof upon such conditions as they may think fit.

**Arrears to be paid notwithstanding forfeiture**

34. Any member whose shares have been forfeited shall notwithstanding, be liable to pay, and shall forthwith pay to the Company, all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at nine per cent per annum and the Directors may enforce the payment thereof if they think fit.

**Company's lien on shares/Debentures**

35. The Company shall have a first and paramount lien upon all the shares / debentures (other than fully paid-up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares / debentures. Unless otherwise agreed, the registration of a transfer of shares / debentures shall operate as a waiver of the Company's lien if any, on such shares / debentures. The Directors may at any time declare any shares / debentures wholly or in part to be exempt from the provisions of this clause.

**Enforcing lien on shares by sale**

36. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they think fit but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, curator bonis or other legal representatives as the case may be and default shall have been made by him or them in the payment of the sum payable as aforesaid for seven days after the date of such notice.

**Utilisation of proceeds of sale**

37. The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists, as is presently payable and the residue, if any, shall be payable to such member, his executors or administrators or assigns or his committee, curator bonis or other legal representatives as the case may be.

**Validity of sales under clauses 32 and 36**

38. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given the Board of 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 application of the purchase money, and after his name has been entered in the Register of Members in respect of such shares the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

## TRANSFER AND TRANSMISSION

### **Transfer not to be registered except on production of instrument of transfer**

39. The Company shall not register a transfer of shares in, or debentures of, the Company, unless a proper instrument of transfer in Form 7C, duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificates relating to the shares or debentures, or if no such certificate is in existence, along with the letter of allotment of the shares or debentures;

Provided that where on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit;

Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder or debenture holder any person to whom the right to any shares in, or debentures of, the Company has been transmitted by operation of law.

### **Transfer by legal representative**

40. A transfer of shares or other interest in the Company of a deceased member thereof made by his/her legal representatives shall, although the legal representative is not himself/herself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.

### **Application for transfer**

41. (a) An application for registration of a transfer of any share or shares may be made either by the transferor or by the transferee.

(b) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered, unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(c) For the purpose of sub-clause (b) notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer, and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

### **Instrument of transfer**

42. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

### **Applicability of Depositories Act**

43. Nothing contained in Articles 39 to 42 shall apply to the transfer of shares, debentures or other securities affected by the transferor and the transferee, both of whom are entered as beneficial owners in the records of the Depository.

Provided that in respect of the shares, debentures and other securities held by the Depository on behalf of a beneficial owner as defined in the Depositories Act, Section 153 of the Companies Act, 1956, shall not apply.

**Director may refuse to register transfer**

44. Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, 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 transferor notice of the refusal to register such transfer 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 or any account whatsoever except when the company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.

**No transfer to infant, etc.**

45. No transfer shall be made to a person of unsound mind. However, transfer of fully paid up shares can be made in the name of a minor, if he/she is represented by his lawful guardian.

**When transferred to be retained**

46. All instruments of transfer shall be retained by the Company but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same.

**No Fee on transfer or transmission**

47. No fee shall be charged for registration of transfer, transmission, probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

**The Company's Powers to close Register of Members or Debenture-holders**

48. Subject to the provisions of the listing agreement, the company may, after giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the Registered Office of the Company is situate, close the Register of Members or the Register of Debenture holders for any period or periods not exceeding in the whole forty-five days in each year, but not exceeding thirty days at any one time.

**Closing of the Register of Members/Debentureholders/Securityholders in the case of dematerialized shares/ debentures /other securities**

49. (a) Nothing contained in the Articles 39 to 48 shall apply in respect of any dematerialized share, debenture or other security, and the transfer of beneficial ownership of dematerialized shares, debentures and other securities shall be governed by the provisions of the Depositories Act.

(b)The provisions of Article 49 regarding closure of Register of Members and Debenture holders for registration of transfer of shares and debentures shall mutatis mutandis apply with respect to the registration of the beneficial ownership of the dematerialized shares, debentures and other securities of the Company maintained by the Depository.

**Shares of deceased shareholders**

50. The executor or administrator of a deceased shareholder (whether a European, Hindu, Mohammedan, Parsee or otherwise) shall be the only person recognized by the Company as

having any title to his share except in case of joint holders, in which case the surviving holder or holders or the executor or administrator of the last surviving holder shall be the only person entitled to be so recognized but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any shares jointly held by him. The Company shall not be bound to recognize such executor or administrator unless he had obtained probate or letters of administration or other legal representation as the case may be, from a duly constituted Court in India or from any or by any order or notification of Central or State Government, Court or authority authorized by any Act of Parliament or of the State legislature to grant such probate or letters of administration or other legal representation provided nevertheless that in special cases, and in such only, it shall be lawful for the Board of Directors or Committee thereof to dispense with the production of probate or letters of administration or such other legal representation upon such terms as to indemnity or otherwise as to the Board of Directors or Committee thereof may deem fit.

#### **Transfer/Transmission of shares of deceased or bankrupt members**

51. Any person becoming entitled to shares in consequence of the death, lunacy, insolvency or bankruptcy of any member or by lawful means, other than by the transfer in according with these Articles, upon producing such evidence that he sustains the character in respect of which he proposes to act under this clause, or of his title, as the Directors think sufficient, may with the consent of the Directors (which they shall not be under any obligation to give), be registered as a member in respect of such shares, or may, subject to the regulations as to transfers hereinbefore contained, transfer such shares. This clause is hereinafter referred to as “the transmission clause.

#### **Nomination for Shares and Debentures**

52. Notwithstanding anything contained in Articles 40, 51 and 52 every holder(s) of debentures of the Company, holding either singly or jointly, may, at any time, nominate a person in the prescribed manner to whom the shares and/or the interest of the member in the capital of the Company or debentures of the Company shall vest in the event of his/her death. Such member may revoke or vary his/her nomination, at any time, by notifying the same to the Company to that effect. Such nomination shall be governed by the provisions of Sections 109A and 109B of the Companies Act, 1956 or such other regulations governing the matter from time to time.

### **INCREASE AND REDUCTION OF CAPITAL**

#### **Power to increase capital**

53. The Company in general meeting may, from time to time by Ordinary Resolution, increase its share capital by the creation of new shares of such amount as may be deemed expedient which may be unclassified and may be classified at the time of issue in one or more classes.

#### **Conditions new shares may be issued.**

54. The new shares shall be issued upon such terms and conditions, and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof or any subsequent general meeting before the issue thereof shall direct; and if no such directions be given, as the Board of Directors or Committee thereof shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of the assets of the Company and with a special or without any right of voting at general meeting of the Company in conformity with Section 87 of the Companies Act.

#### **Further issue of share capital**

55. (1) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for

the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the un-issued capital or out of the increased share capital then:

Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as the circumstances admit, to the capital paid up on those shares at the date.

Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of offer and the offer if not accepted, will be deemed to have been declined.

The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. Provided that the Director may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

(2) Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (Whether or not those persons include the persons referred to in clause (a) sub-clause (1) thereof in any manner whatsoever.

- (a) If a special resolution to that effect is passed by the company in General Meeting, or
- (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting of vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of (1) hereof shall be deemed;

- (a) To extend the time within which the offer should be accepted; or
- (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the company:

- (i) To convert such debentures or loans into shares in the company; or
- (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of Issue of such debentures or the terms of such loans include a term providing for such option and such term:

- a) Either has been approved by the Central Government before the Issue of the debentures or the raising of the loans or is in conformity with Rules, if any made by that Government in this behalf; and

- b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the Issue of the debentures or raising of the loans.

#### **Term of Issue of Debenture**

56. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
57. In addition to and without derogating from the powers for the purpose conferred on the Directors under Article 8, the Company in general meeting may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or holders of debentures of the Company or not) in such proportion and on such terms and conditions and either at a premium or at par, or (subject to compliance with the provisions of the Companies Act) at a discount, as such general meeting shall determine, and with full power to give to any person (whether a member or holder of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par, or (subject to compliance with the provisions of the Companies Act) at a discount, and such option being exercisable at such times and for such consideration as may be directed by such general meeting.

#### **How far new shares to rank with shares in original capital**

58. Except so far as otherwise provided by the conditions of issue, or by these presents, any capital raised by the creation of new shares shall be considered part of the original ordinary capital, and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, voting and otherwise.

#### **Reduction of Capital, etc**

59. The Company may, from time to time, by special resolution, reduce its the share capital any capital redemption reserve fund or any share premium account in any manner and subject to any incident authorized and consent required by law.

### **SUB-DIVISION AND CONSOLIDATION OF SHARES**

#### **Sub-division and consolidation of shares**

The Company may in general meeting by Ordinary Resolution alter and conditions of its Memorandum as follows:

- (a) Consolidate and divide all or any of the Share Capital into shares of larger amounts than its existing shares;
- (b) Sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum, so however, that in the sub-division the proportion between the amounts paid and the amounts, if any, unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share derived;
- (c) Cancel shares, which at the date of such Ordinary Resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so

cancelled. A cancellation of shares in pursuance of this sub class shall not be deemed to be reduction of share capital within the meaning of the Companies Act.

(d) Convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid shares of any denomination.

#### **Sub-division into preferred and ordinary**

The resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend, capital, voting or otherwise over or as compared with the others or other.

### **MODIFICATION OF RIGHTS**

(a) 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 may be varied, modified, commuted, affected, abrogated or dealt with subject to the consent of the holders not being less than three fourth of the issued share of the class; or the sanction by a resolution passed at separate meeting of the holders of those shares and supported by the votes of the holders of not less than three-fourth of those shares.

(b) This Article is not to derogate from any power the Company would have had if this Article were omitted and the rights of dissentient shareholders being holders of not less in the aggregate than ten per cent of the issued shares of that class to apply to the Court to have the variation or modification cancelled.

### **BORROWING POWERS**

#### **Power to borrow**

The Board of Directors may, from time to time, at their discretion, raise or borrow, or secure the payment of, any sum or sums of money for the purposes of the Company; Provided that the money 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) shall not at any time except with the consent of the Company in general meeting exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set part for any specific purpose.

#### **Conditions on which money may be borrowed**

The Board of Directors may raise or secure the payment or repayment of such sum or sums in such manner and respects as they think fit and in particular by the issue of debentures or debenture-stock of the Company charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

#### **Securities may be assignable free from equities.**

Debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

#### **Issue at discount, etc. or with special privileges.**

Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privilege as to redemption, surrender, drawing, allotment of shares attending at general meeting of the Company, appointment of Directors and otherwise. Provided that debentures with the right to allotment of/ or conversion into shares shall not be issued except with the sanction of the Company in general meeting.

## MEETINGS

### Annual General Meeting.

60. (a) The Company shall, in addition to any other meetings, hold a general meeting which shall be styled its “annual general meeting” at the intervals and in accordance with the provisions, specified below:

The first annual general meeting shall be held by the Company within eighteen months of its incorporation and may be held on the same day as the statutory meeting; The next annual general meeting of the Company shall be held by the Company within nine months after the expiry of the financial year in which the first annual general meeting was held; and thereafter an annual general meeting shall be held by the Company within six months after the expiry of each financial year; Not more than fifteen months shall elapse between the date of one annual general meeting and that of the next.

- (b) Every annual general meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held either at the Registered Office of the Company or at some other place within the city, town or village in which the Registered Office of the Company is situate; and the notices calling the meeting shall specify it as the annual general meeting.

### Extra-ordinary meetings

61. All other meetings of the Company shall be called Extraordinary Meetings.

(a) The Board of Directors whenever they think fit and shall on the requisition of such number of members of the Company as is hereinafter specified forthwith proceed to call an extra-ordinary general meeting of the Company and in case of such requisition the following provisions shall apply.

(b) The requisition shall set out the matters for the consideration of which the meeting shall be called, shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.

(c) The requisition may consist of several documents in like form, each signed by one or more requisitionists.

(d) The number of members entitled to requisition a meeting in regard to any matter shall be such number of them as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up capital of the Company as at that date carries the right of voting in regard to that matter.

(e) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (d) shall apply separately in regard to each such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that sub-clause is fulfilled.

(f) If the Board does not, within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters on a day not later than forty-five days from the date of the deposit of the requisition, the meeting may be called by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in sub-clause(d) whichever is less.

EXPLANATION: For the purposes of this Article the Directors shall, in the case of a meeting at which a resolution is to be proposed as a special resolution, give such notice thereof as is required by the Companies Act.

(g) A meeting called under sub-clause (f) by the requisitionists or any of them:

(i) Shall be called in the same manner, as nearly as possible as that in which meetings are to be called by the Board; but

(ii) Shall not be held under the expiration of three months from the date of the deposit of the requisition;

Provided that nothing contained in this sub-clause (ii) shall be deemed to prevent a meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some day after the expiry of that period.

(h) Where two or more persons hold any shares or interest in the Company jointly, a requisition, or a notice calling a meeting signed by one or some only of them shall, for the purposes of this Article have the same force and effect as if it had been signed by all of them.

(i) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to call a meeting shall be repaid to the requisitionists by the Company; and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

#### **Notice of Meeting**

62. (a) A general meeting of the Company may be called by giving not less than twenty-one days' notice in writing.

(b) A general meeting may be called after giving shorter notice than that specified in sub-clause (a) if consent is accorded thereto:

(i) in the case of an annual general meeting, by all the persons entitled to vote thereat; and;

(ii) in the case of any other meeting by members of the Company holding not less than ninety-five per cent of such part of the paid-up capital of the Company as gives a right to vote at the meeting;

Provided that where any members of the Company are entitled to vote only some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purposes of this sub-clause in respect of the former resolution or resolutions and not in respect of the latter.

#### **Contents and manner of service of notice and persons on whom it is to be served**

63. (a) Every notice of a meeting of the Company shall specify the place and the day and hour of the meeting, and shall contain a statement of a business to be transacted thereat.

(b) Notice of every meeting of the Company shall be given:

(i) to every member of the Company, in any manner authorized by the Companies Act;

(ii) 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 pre-paid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent or by any like description, at the address if any in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and

(iii) to the auditor or auditors for the time being of the Company in any manner authorized by the Companies Act in the case of any member or members of the Company.

(c) The accidental omission to give notice to or the non-receipt of notice by, any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

**Explanatory statement to be annexed to notice**

64. (a) In the case of annual general meeting, all business to be transacted at the meeting shall be deemed special, with the exception of business relating to:

(i) the consideration of the accounts, balance sheet and the reports of the Board of Directors and Auditors;

(ii) the declaration of a dividend;

(iii) the appointment of directors in the place of those retiring; and

(iv) the appointment of, and the fixing of a remuneration of the auditors.

(b) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business, including in particular the nature and extent of the interest, if any, therein of every Directors, the Managing Agent, if any, the Secretary & Treasurer, if any, and the Manager, if any.

(c) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

**Quorum**

65. Five members personally present shall be quorum for a general meeting.

**Quorum to be present when business commenced**

66. No business shall be transacted at any general meeting unless the quorum requisite shall be present at the commencement of the business.

**Chairman of General Meeting**

67. The Chairman of the Directors shall be entitled to take the chair at every general meeting, or if there be no such Chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for holding such meeting, 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 the members present shall choose one of their member to be the Chairman of the Meeting.

**When the quorum not present meeting to be dissolved and when to be adjourned**

68. If within half an hour from the time appointed for the meeting a quorum is 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 at such other time and place as the Directors may determine, and if at such adjourned meeting also a quorum is not present within half an hour from the time appointed for holding the meeting, those members who are present shall be a quorum and may transact the business for which the meeting was called.

**When is to be evidence of the passing of resolution where poll not demanded**

69. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands or unless a poll is (before or on the declaration of the result on the show of hands) demanded in the manner hereinafter mentioned, and unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

**Demand for poll**

70. (a) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and fulfilling the requirements as laid down in Section 179 of the Companies Act, 1956, for the time being in force.

(b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

**Time of taking poll**

71. (a) If a poll is demanded on the election of a chairman or on a question of adjournment, it shall be taken forthwith;

(b) A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made, as the Chairman may direct.

**Right of members to use his votes differently.**

On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote of his behalf as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

**Scrutinisers at poll**

(a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinisers to scrutinise the votes given on the poll and to report thereon to him;

(b) The Chairman shall have power, at any time before the result of the poll is declared to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or from any other cause;

(c) of the two scrutineers appointed under this Article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed

**Manner of taking poll and result thereof**

(a) Subject to the provisions of the Companies Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken;

(b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

**Power to adjourn general meeting**

The Chairman of a general meeting, may, with the consent of the meeting adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

**Casting vote**

In case of an equality of votes, whether on a show of hands, or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote in addition to the vote or votes, to which he may be entitled as a member.

**Business may proceed notwithstanding demand of poll.**

The demand of a poll shall not prevent the continuance of meeting for the transaction of any business other than the question on which a poll has been demanded.

**VOTES OF MEMBERS**

**Votes of members**

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such;

(a) On a show of hands every member present shall have one vote and upon a poll every member present in person or by proxy shall have one vote for every share held by him. Provided that the holders of Preference Shares shall have no right to vote either in person or by proxy at any general meeting by virtue or in respect of their holdings of preference shares, unless the preferential dividend due on such preference shares or any part of such dividend has remained unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting or unless a resolution is proposed directly affecting the rights or privileges attached to such preference shares;

(b) Any resolution for winding up the Company or for the repayment or reduction of its share capital shall be deemed directly to affect the rights attached to Preference Shares within the meaning of this Article;

(c) For the purpose of this Article, dividend shall be deemed to be due on preference shares in respect of any period whether a dividend has been declared by the Company on such shares for such period or not: On the last day specified for the payment of such dividend for such period in the Articles or other instrument executed by the Company in that behalf; or In case no day is so specified, on the day immediately following such period;

(d) Where a corporation being a member is present by proxy, who is not a member, such proxy shall be entitled to vote for such corporation on a show of hands.

**Vote in respect of shares of deceased and bankrupt members**

Any person, entitled under the transmission clause to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting as the case may be, at which the he proposes to vote, he shall satisfy the Directors of his right to transfer such shares, or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

**Joint holders**

In case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the other joint holders. For this purpose, seniority shall be determined in the order in which the names stand in the register of members.

### **Vote of members of unsound mind**

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.

No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

(a) No objection shall be raised to the qualification of any votes 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;

(b) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

### **Proxies**

Votes may be given either personally or by proxy.

(a) Any member of the Company entitled to attend and vote at a 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;

(b) A proxy shall not be entitled to vote except on a poll;

(c) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a member.

### **Proxy to be deposited at office**

The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy of the power or authority shall be deposited at the Registered Office of the Company not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

### **Instrument of proxy**

The instrument appointing a proxy shall:-

(a) be in writing; and

(b) be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

### **Form of proxy**

An instrument appointing a proxy shall be in any of the forms set out in the Companies Act or a form as near thereto as circumstances admit.

Every member entitled to vote at a meeting of the Company or on any resolution to be moved thereat shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the Company provided not less than three days' notice in writing of the intention so to inspect is given to the Company.

**When vote by proxy valid though authority revoked.**

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of shares in respect of which the proxy is given;

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its Office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit at the time of execution of an instrument of proxy and of the same not have been revoked.

**Passing of resolutions by postal ballot**

Notwithstanding anything contained in the Act and subject to the provisions of Section 192A of the Act and the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, a Company may, and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company.

**POWERS OF DIRECTORS**

**Powers of directors**

Without prejudice to be general powers conferred by Article 129 and the other powers conferred by these Articles, but subject however to the provisions of the Companies Act, it is hereby expressly declared that the Directors shall have the following powers:-

- (a) To have an official seal for use abroad.
- (b) To keep a foreign register in accordance with the provisions of the Companies Act.
- (c) To pay and charge to the Capital Account of the Company any commission or interest, lawfully payable there out under the provisions of Sections 76 and 208 of the Companies Act.
- (d) To purchase or otherwise acquire for the Company any property, rights or privileges, which the Company is authorized to acquire at such price, and generally on such terms and conditions, as they may think fit.
- (e) At their discretion to pay for any property, rights or privileges acquired by, or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures or other securities of the Company, and such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures or other securities may be either specifically charged upon all or any part of the property of the Company including its uncalled capital or not so charged.
- (f) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such other manner as they may think fit.
- (g) To appoint and at their discretion remove or suspend such managers, secretaries, officers, clerks, agents and servants for permanent, temporary or special services, as they may from time to

time think fit and to determine their powers and duties and fix their salaries or emoluments and to require security in such instances and for such amounts as they may think fit.

(h) To accept from any member, on such terms and conditions as shall be agreed a surrender of his shares or any part thereof.

(i) To appoint any person or person (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust, and to provide for the remuneration of such trustee or trustees.

(j) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company, or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Company.

(k) To refer any claims or demands by or against the Company to arbitration, and observe and perform the awards.

(l) To make and give receipts, releases and other discharges for money payable to the Company, and for the claims and demands of the Company.

(m) To determine who shall be entitled to sign on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.

(n) From time to time to provide for the management of the affairs of the Company outside Bombay in such manner as they may think fit, and in particular to appoint any persons to be the attorneys or agents of the Company with such powers (including power to sub-delegate) and upon such terms as may be thought fit.

(o) Subject to the provisions of section 292 of the Companies Act to invest and deal with any of the monies of the Company not immediately required for the purposes thereof upon such securities (not being shares in this Company) and in such manner as they may think fit and from time to time vary or realise such investments. Save as provided in Section 49 of the Companies act, all investments, shall be made and held in the Company's own name.

(p) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on.

(q) To give any person employed by the Company a commission on the profits of any particular business or transaction, or a share in the general profits of the company, and such commission or share or profits, shall be treated as part of the working expenses of the Company.

(r) Before recommending any divided, to set aside out of the profits of the Company, such sums as they think proper as a reserve fund to meet contingencies or for equalizing dividends, or for special dividends or for repairing, improving and maintaining any of the property of the Company, and for such other purposes as the Directors shall in their absolute discretion think conducive to the interest of the Company and subject to Section 292 of the Companies Act to invest the several sums so set aside upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and to dispose of all or any part thereof for the benefit of the Company and to divide the reserve fund into special funds as they

think fit with full power to employ the assets constituting to reserve fund in the business of the Company, and that without being bound to keep the same separate from the other assets.

(s) From time to time to make, vary & repeal by-laws for the regulation of the business of the Company, its officers and servants.

(t) To enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company.

(u) Without limitation on the matters which the Board may discuss, the following items will also be matters for the Board:

(a) Approval of quarterly management reports, including financial statements, compliance with financial covenants and compliance with applicable law and regulations in each case in a format to be agreed between the Parties;

(b) To determine general remuneration policy;

### **Forged Transfers**

(a) When the Company has issued shares the Directors shall have the power to make compensation, by a cash payment out of the Company's funds for any loss arising from a transfer of any such shares in pursuance of a forged transfer or of a transfer under a forged power of attorney, whether the person receiving such compensation, or any person through whom he claims, has or has not paid any fee, or otherwise contributed to any fund out of which the compensation is to be paid.

(b) The Directors, by fees or otherwise, are hereby empowered to provide a fund to meet claims for compensation, and to raise the amount by mortgages and to impose such reasonable restrictions on the transfer of shares or with respect to powers of attorney for the transfer thereof, as they may consider requisite for guarding against losses arising from forgery.

(c) This clause will not be deemed as imposing upon the Company or the Directors any obligation to pay.

### **SEAL**

#### **The Seal its custody and use**

139.(a) The Board shall provide for the safe custody of the Seal.

(b) The seal of the Company shall not be affixed to any instrument except by the authority of a Resolution of the Board or a Committee of the Board authorised by it in that behalf and except in the present of :

(i) atleast one Director and the Secretary or such other persons as the Board may appoint for the purpose who shall sign every instrument to which the Seal of the Company is so affixed in their presence. OR

(ii) atleast two Authorised Officers of the Company authorised in that behalf and such Authorised Officers shall sign every instrument to which the Seal of the Company is so affixed in their presence.

## DIVIDENDS

### Dividends

140.(a) Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends including interim shall be declared and paid according to the amounts paid or credited as paid on 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 the amounts to the shares.

(b) No amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this clause as paid on the share.

(c) All dividends shall be paid on for whole of the year in proportionately to the amounts paid or credited as paid on the shares irrespective of period of receipt of the amount and that it shall rank for dividend *pari passu* with the existing shareholders irrespective of the date of allotment of shares and shall be paid for whole of the year and also for the subsequent year.

### Declaration of dividends

141.The Company in general meeting may declare a final dividend paid or to be paid to the members according to their rights and interests in the profits, and may fix the time for payment the dividend so declared remaining unclaimed shall not be forfeited unless the claim become barred by law.

### Restriction of amount of dividend

142.No larger dividend shall be declared than is recommended by the Board of Directors but the Company in general meeting may declare a smaller dividend.

### Dividend out of profit only, and not to carry interest

143.No dividend shall be payable except out of the profits of the Company and no dividend shall carry interest as against the Company.

### What is to be deemed net profit

144.The declaration of the Board of Directors as to the amount of the net profits of the Company shall be conclusive.

### Interim Dividends

145.The Board of Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.

### Debts may be deducted

146.The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which lien exists.

### Dividend and call together set off allowed

147.A general meeting declaring a 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 as the dividend and dividend may, if so arranged between the Company and the member, be set off against the call. The making of a call under this clause shall be deemed ordinary business of an ordinary general meeting, which declares a dividend.

### **Dividend in species**

148. A general meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of the Company, or paid-up shares, debentures or debenture stock of any other company, or in any one or more of such ways.

### **Capitalisation of reserves**

149. A general meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or any capital redemption reserve fund, or in the hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalised and distributed amongst such of the shareholders by way of bonus shares as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interests in the said capitalised sum.

150. A general meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company or any investments representing the same, or any other undistributed profits of the Company not to charge for income tax, be distributed among the members on the footing that they receive the same as capital.

151. If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may by resolution of the Company be applied in paying up in full or in part any new shares, or any shares then remaining unissued, to be issued to such members of the Company or other persons as the Directors may resolve upto an amount equal to the nominal amount of the shares so issued.

### **Fractional Certificates**

152. For the purpose of giving effect to any resolution under the four last preceding Articles the Board of Directors may settle any difficulty which may arise in regard to the distribution as they think expedient, and in particular may issue fractional certificates, and may fix the value or distribution of any specific assets, and may determine that cash payment shall be made to any members upon the footing of the value so fixed or that fractions of less value than Re.1/- may be disregarded in order to adjust the right of all parties and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board of Directors. Where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with the provisions of the Companies Act, and the Board of Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.

### **Effects of dividend in case of pending of transfer of shares**

153. Where an instrument of transfer of shares of the company has been delivered to the company for registration in accordance with the provisions of the Act and the transfer of such shares has not been registered by the Company, it shall comply with the provisions of Section 206A of the Act in respect of the dividend, rights shares other corporate benefits and bonus shares in relation to such shares.

### **Retention of dividend in certain cases**

154. The Board of Directors may retain the dividends payable upon shares in respect of which any person is under the Transmission Clause (Clause 52) entitled to become a member, or which any

person under that clause is entitled to transfer until such person shall become a member in respect thereof or shall duly transfer the same.

**Payment of dividend in case of Joint holding**

155. Any one of several persons, who are registered as joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such share.

**Payment of dividend by post**

156. Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address in case if the amount of dividend exceed Rs.1,500/- of the member or persons entitled or in the case of joint holders, to the registered address of that one whose name stands first on the register in respect of the joint holding; and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent. The Company shall not be responsible or liable for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent recovery thereof by any other means.

The Dividend may also be credited to the Account of the shareholders by electronic transfer as per the guidelines of the SEBI, Stock Exchange(s) as may be applicable.

**Notice of dividend**

157. Notice of the declaration of any dividend, whether interim or otherwise, shall be given to the holder of registered shares in manner hereinafter provided.

**Unpaid or Unclaimed Dividend**

158. Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days open a special account in that behalf in any scheduled bank called "Unpaid Dividend of "PLETHICO PHARMACEUTICALS LIMITED" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be referred to the Central Government by the shareholders to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board.

**NOTICES**

**Service of documents upon members by the Company**

168.(a) A document or notice may be served by the Company on any member thereof 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;

(b) Service thereof shall be deemed to be effected by properly addressing repaying and posting a letter containing the document or the notice, provided that where a member has intimated to the Company in advance the documents should be sent to him under a 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 or notice shall not be deemed to be effected unless it is sent in the manner intimated by the member; and Unless the contrary is provided such service shall be deemed to have been effected:-

(i) In the case of a notice of a meeting at the expiration of forty-eight hours after the letter containing the same is posted, and

(ii) In any other case, at the time at which the letter would be delivered in the ordinary course of post.

(c) A document or notice advertised in a newspaper circulating in the neighborhood of the registered office of the Company shall be deemed to be duly served on the day in which the advertisement appears to every member of the Company who has no registered address in India and has not supplied to the Company an address within India for the giving of notices to him.

(d) A document or notice 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.

(e) A document or notice may be served by the Company on 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 assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the person claiming to be so entitled or until such an address has been so supplied, by serving the document or notice in any manner in which it might have been served if the death or insolvency had not occurred.

(f) The signature to any document or notice to be given by the Company may be written or printed.

## INDEMNITY

### Indemnity

170. Subject to the provisions of the Companies Act, every Director, Manager, Managing Director, Auditor, Secretary and other officer or servants of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all cost, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into, or act or thing done by him as such officer or servant, or in any way in the discharge of his duties, and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company, and have priority as between the members over all other claims.

### Individual responsibility of directors

171. Subject to the provisions of the Companies Act, no Director, auditor or other officer of the Company shall be liable for the acts, receipts, neglects or defaults or any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error of judgement, omission, default or oversight on his part or for any other loss, damage or misfortune whatever, which shall happen in relation to the execution of the duties of his office or in relation thereto unless the same happen through his own dishonesty.

## SECTION XI: OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by us. These contracts, copies of which have been attached to the copy of the Prospectus, delivered to the ROC for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company situated at A.B.Road, Manglia – 453771, Indore, India from 10.00 am to 4.00 pm on working days from the date of the Prospectus until the Bid/ Issue Closing Date.

#### Material Contracts

1. Letter of Appointment dated December 22, 2005 to Anand Rathi Securities Private Limited from our Company appointing them as BRLM.
2. Memorandum of Understanding dated January 13, 2006 between us and the BRLM.
3. Memorandum of Understanding dated February 1, 2006 executed by us with Registrar to the Issue.
4. Escrow Agreement dated April 4, 2006 between us, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated April 4, 2006 between us and the BRLM and Syndicate Members.
6. Underwriting Agreement dated April 19, 2006 between us, the BRLM and the Syndicate Members.

#### Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Our certificate of incorporation dated December 4, 1991 and fresh Certificate of Incorporation dated August 27, 1992.
3. Shareholders' resolutions dated December 27, 2005 in relation to this Issue and other related matters.
4. Resolutions of the Board dated February 11, 2006 approving the Draft Red Herring Prospectus and April 19, 2006 approving the Prospectus.
5. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
6. Copies of annual reports of our Company.

**Plethico Pharmaceuticals Limited**

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7. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Issue, our Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
8. Memorandum of Understanding pertaining to Overseas Investments made by us
9. General Power of Attorney executed by the Directors of us in favour of person(s) for signing and making changes to this Prospectus and other related documents
10. Applications dated February 13, 2006 for in-principle listing approval from the NSE and the BSE, respectively.
11. In-principle listing approval dated March 28, 2006 and March 27, 2006 from the NSE and the BSE respectively.
12. Tripartite agreement between NSDL, us and the Registrar to the Issue dated March 27, 2006.
13. Tripartite agreement between CDSL, us and the Registrar to the Issue dated March 31, 2006.
14. Due diligence certificate dated February 11, 2006 to SEBI from Anand Rathi Securities Private Limited.
15. SEBI observation letter bearing number CFD/DIL/AC/63650/2006 dated March 29, 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of us or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued the by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We and the signatories mentioned below further certify that all statements in this Prospectus are true and correct.

### SIGNED BY ALL DIRECTORS \*

1. Mr Shashikant Patel – Chairman & Managing Director
2. Mr Chirag Patel – Wholetime Director & CEO
3. Ms Gauravi Parikh – Executive Director
4. Mr Rakesh Jain – Non Executive Independent Director
5. Mr Ashok Sodhani - Non Executive Independent Director
6. Mr Sanjay Gupta - Non Executive Independent Director

\*Signed through their constituted Attorney – Mr. Sanjay Pai

SIGNED BY THE CHIEF FINANCIAL OFFICER – MR. SANJAY PAI

Date: April 19, 2006

Place: Indore.