



STERLING BIOTECH LIMITED

(Incorporated in the Republic of India as a public company with limited liability)

Offering of [] Global Depository Receipts representing [] underlying Shares of Rs. [] each at an offer price of USD [] per Global Depository Receipt)

Sterling Biotech Limited (the “Company”) is offering [] of its ordinary equity shares of Rs. [] each in the capital of the Company in the form of Global Depository Receipts (“GDRs”). Each GDR represents [] shares in the capital of the Company. The shares in the capital of the Company represented by the GDRs are collectively known as the “Shares.”

The size of the Offering, the number of underlying shares and Offer Price are based on the buying rate on [] 2011 as published by the Reserve Bank of India (which was Rs. [] per US\$ 1.00) and the SEBI guidelines dated 27 November 2008 providing the minimum floor price requirement for GDR/FCCB issues under the Foreign Direct Investment (the “FDI”) scheme.

The New GDRs will be issued pursuant to a deposit agreement (the “**Existing Deposit Agreement.**”) dated [] between Trust Company Americas (the “**Depository**”) and the Company as amended by a Supplemental Agreement entered into between the Company and the Depository to be dated on [] (the “**Supplemental Deposit Agreement**”) and together with the Existing Deposit Agreement, the “**Deposit Agreement**”).

There are currently [] outstanding existing GDRs which were previously issued pursuant to the Existing Deposit Agreement (the “**Existing GDRs**”). The New GDRs will be represented by a temporary Master GDR (the “**Master GDR**”) in registered form, which will be deposited with, and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for Euroclear Bank S.A. /N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) and held for the account of account holders in Euroclear and Clearstream, Luxembourg. Individual global depository receipts representing the GDRs will not be issued in exchange for beneficial interests in the Master GDR. Interests in the Master GDR will be subject to certain restrictions on transfer. (See “Terms and Conditions of the Global Depository Receipts” on pages ____ and “Restrictions on Foreign Ownership of Indian Securities” on pages ____).

The Existing GDRs are listed on the official list of the Luxembourg Stock Exchange and traded on the Euro MTF market. Application has been made to list the New GDRs on the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

An investment in the New GDRs involves certain risks. See “Risk Factors” on page no. ____ for a discussion of certain factors that should be considered in connection with an investment in the GDRs.

Unless the context otherwise requires, references to “GDRs” in this Listing Prospectus include the Existing GDRs and the New GDRs.

Individual new global depository receipts representing the shares will not be issued in exchange for beneficial interests in the Master GDR. Interests in the Master GDR will be subject to certain restrictions on transfer. (See “Terms and Conditions of the Global Depository Receipts” on pages ____ and “Restrictions on Foreign Ownership of Indian Securities” on pages ____).

**Lead Manager
Pan Asia Advisors Limited
1st Floor, 42 Minster House, Mincing Lane
London, EC3R 7AE, U.K.**

The date of this Listing Prospectus is [●] 2011.

The Shares evidenced by GDRs may be withdrawn by holders of GDRs (the “**GDR Holders**”), but only after the listing of the Shares on the Indian Stock Exchanges (as defined herein) where the shares of the Company are currently listed. There is no guarantee that such listing will be granted. Upon the dematerialization and listing of the Shares on the Indian Stock Exchanges, a GDR Holder may request the Depository to withdraw the Shares represented by their GDRs from the GDR facility.

GDR Holders are given an option to cancel their GDRs with the Depository upon the listing and dematerialization of the Shares on the Indian Stock Exchanges and hold such Shares directly or recover the proceeds by selling the Shares, subject to applicable Indian laws and regulations, (see “Distribution and Transfer Restrictions” on page no. ____) and investors are also given the option to convert Shares so released into GDRs for purchase by other investors. In India, two-way fungibility is permitted and, therefore, the GDRs are freely convertible without restriction to the extent of the original issue size. The reissuance of GDRs is permitted where such GDRs have been redeemed into Shares, subject to such original issue size.

The Company’s equity Shares are traded in India on the Bombay Stock Exchange Limited, and the National Stock Exchange of India Limited, which are collectively referred to as the “**Indian Stock Exchanges**”. Copies of this Listing Prospectus will be filed, for record purposes, with Indian regulatory authorities including the Registrar of Companies (the “**RoC**”) in Mumbai, the Securities and Exchange Board of India (“**SEBI**”), the Reserve Bank of India (the “**RBI**”) and with the Indian Stock Exchanges.

The distribution of this Listing Prospectus and the offering of the GDRs and the Shares in certain jurisdictions may be restricted by law. This Listing Prospectus does not constitute an offer of, or an invitation by or on behalf of the Company or the Depository to subscribe for or purchase any of the GDRs in any jurisdiction where it is unlawful for it to make such an offer or invitation. This Listing Prospectus may not be used for or in connection with any offer to sell or solicitation of an offer to subscribe for or buy, by anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this document may come are required by the Company to inform themselves about and to observe such restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of GDRs and the Shares or the distribution of this document in any jurisdiction where action would be required for such purposes.

The New GDRs are being offered by the Company as specified herein, subject to receipt and acceptance by it of, and subject to its rights to reject, any offer to purchase the New GDRs in whole or in part, and subject to certain other conditions.

The Company and its Directors accept responsibility for the information contained in this Listing Prospectus. To the best of the knowledge and belief of the Company and the Directors (which have taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. No responsibility is accepted by Pan Asia Advisors Limited or the Depository or any person affiliated with either Pan Asia Advisors Limited or the Depository for the accuracy of the information contained in the Listing Prospectus.

The Company has not authorised any person to provide information different from that contained in this Listing Prospectus. The Company is offering to sell, and seeking offers to buy GDRs only in jurisdictions where such offers and sales are permitted. The information contained in this Listing Prospectus is accurate only as at the date of this Listing Prospectus, regardless of the time of delivery of this Listing Prospectus or of any sale of the Company’s GDRs. Information contained on the Company’s website does not form part of this Listing Prospectus.

This Listing Prospectus relies on or refers to information and data regarding the Information Technology industry, drawn from various publications available in the public domain. Although, the Company believes that this information is reliable and has accurately extracted such information, it has not independently verified the same. Neither the Company, nor the Lead Manager nor any of the legal advisors take

responsibility for errors or omission in the information reproduced in this Listing Prospectus as drawn from various publications available in public domain. The Company though take responsibility to accurately reproducing the information which may or may not be in the same format as it appeared in original publication.

The GDRs and the Shares underlying such GDRs have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and, subject to certain exceptions, 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 (“**Regulation S**”).

The GDRs may not be offered or sold or pledged or otherwise transferred to any person located in India, residents of India or to, or for the account or benefit of such persons. The GDRs offered hereby are not transferable except in accordance with the restrictions described under “Distribution and Transfer Restrictions” on page _____.

Certain defined terms, conventions and currency of presentation

In this Listing Prospectus, all references to “Indian Rupees”, “Rupees” and “Rs.” are to the legal currency of India and all references to “U.S. Dollars”, “USD”, “Dollars” and “\$” are to the legal currency of the United States. For the convenience of the reader, this Listing Prospectus contains translations of some Indian Rupee amounts into U.S. Dollars. This should not be construed as a representation that those Indian Rupee or U.S. Dollar amounts could have been, or could be, converted into U.S. Dollars or Indian Rupees, as the case may be, at any particular rate. Except as otherwise stated in this Listing Prospectus, all translations from Indian rupees to U.S. Dollars contained in this Listing Prospectus have been based on the RBI Reference rate on 15 July, 2011 as published by the Reserve Bank of India (which was Rs. 44.52 per US\$1.00;). In this Listing Prospectus, any discrepancies in any table between totals and the sums of the amounts listed are due to rounding off.

The Company prepares its non-consolidated, audited financial statements on a yearly basis and unaudited financial results on a quarterly basis in accordance with Generally Accepted Accounting Principles in India (“**Indian GAAP**”), which differ in certain respects from Generally Accepted Accounting Principles in other countries. For a discussion of some of the significant differences among Indian GAAP, UK GAAP, US GAAP and IAS, see “Summary of Significant Differences Between Indian GAAP, UK GAAP, US GAAP and IAS” on page no. _____

In this Listing Prospectus, unless otherwise specified or the context otherwise requires, “U.S.” and “United States” means the United States of America, its territories and its possessions, “U.K.” means the United Kingdom and “financial year” or “FY” means the financial year ended 31 December in any particular year, unless otherwise specified. Unless the context otherwise requires, references to the “Government” are to the Central Government of India. A glossary of certain technical terms and abbreviations used in this Listing Prospectus is provided at page no. ____.

Notice to Investors

The GDRs may not be offered, sold, pledged or otherwise transferred directly or indirectly in India to any person located in India, resident of India or to or for the account or benefit of such person(s). The GDRs and the Shares have not been registered under the Securities Act and the GDRs may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Therefore, the GDRs are being offered and sold outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

Interests in the GDRs may only be held through interests in the Master GDR. Such interests in the Master GDR will be shown on, and transfers thereof will be affected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

Each purchaser of the GDRs, by accepting delivery of such GDRs (a) will be deemed to have made acknowledgements, representations, warranties and agreements as set forth under “Distribution and Transfer Restrictions” in this offering circular and (b) will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

1. It is not located in India, is not a resident of India and is not purchasing for, or for the account or benefit of, such a person;
2. It acknowledges that the GDRs may not be offered, sold, pledged or otherwise transferred to any person located in India, to residents of India, or to, or from the account or benefit of, such persons.
3. The GDRs and the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.
4. Each owner purchasing prior to the expiration of 40 days after the later of the commencement of the offering of the GDRs, the Issue Date and the issue date with respect to the additional GDRs (if any) issued pursuant to over allotments, (the “**Distribution Compliance Period**”) is purchasing the GDRs in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S.
5. The GDRs and the Shares may not be sold, pledged or transferred to, or for the account or benefit of, any US person during the Distribution Compliance Period.
6. Such owner will not offer, sell, pledge or otherwise transfer any interest in the GDRs or the Shares except as permitted by the applicable legend set forth in paragraphs (7) below.
7. The Master GDRs will bear legends to the following effect, unless the Company determines otherwise in compliance with applicable law, and it will observe the restrictions contained therein:

“THIS TEMPORARY MASTER GDR, THE GLOBAL DEPOSITARY RECEIPTS (“GDRs”) EVIDENCED HEREBY AND THE EQUITY SHARES OF STERLING BIOTECH LIMITED REPRESENTED THEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION OF THE UNITED STATES.

THE HOLDERS HEREOF, BY PURCHASING THE GDRs EVIDENCED BY THIS TEMPORARY MASTER GDR, AGREE, FOR THE BENEFIT OF STERLING BIOTECH LIMITED AND THE DEPOSITARY NAMED BELOW, THAT THE GDRs REPRESENTED BY THIS CERTIFICATE MAY NOT AT ANY TIME BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON LOCATED IN INDIA, RESIDENTS OF INDIA, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSONS.

EACH HOLDER BY ITS ACCEPTANCE OF THE GLOBAL DEPOSITARY RECEIPTS EVIDENCED HEREBY AND THE BENEFICIAL INTEREST IN THE SHARES REPRESENTED THEREBY REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.”

8. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restriction, may not be recognized by the Company or the Depositary in respect of the GDRs. Because of the restrictions, purchasers are advised to consult legal counsel prior to making any resale, pledge or transfer of GDRs.

TABLE OF CONTENTS

	Page
INVESTOR SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS	
SUMMARY	
FINANCIAL SUMMARY	
SUMMARY OF THE OFFERING	
DEFINITIONS	
GLOSSARY OF TECHNICAL TERMS	
RISK FACTORS	
PRICE RANGE OF EQUITY SHARES	
EXCHANGE RATES	
CAPITAL STRUCTURE	
DISTRIBUTION AND TRANSFER RESTRICTIONS	
ENFORCEMENT OF JUDGMENTS OBTAINED IN OTHER JURISDICTIONS	
USE OF PROCEEDS	
INDUSTRY OVERVIEW	
COMPANY INFORMATION	
BUSINESS OF THE COMPANY	
PERFORMANCE OF THE COMPANY	
CAPITALISATION OF THE COMPANY	
THE SHARES	
DESCRIPTION OF THE SHARES AND COMPANY PROCEDURES	
MAIN PROVISIONS OF ARTICLES OF ASSOCIATION	
INDIAN GOVERNMENT APPROVALS	
RELATED PARTY TRANSACTIONS	
MATERIAL CONTRACTS	
TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS	

SUMMARY OF PROVISIONS RELATING TO THE GDRS WHILE IN MASTER FORM	
INFORMATION RELATING TO THE DEPOSITARY	
NATURE OF THE INDIAN SECURITIES TRADING MARKET	
RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES	
TAXATION	
GENERAL INFORMATION	
<p>SUMMARY OF SIGNIFICANT SIMILARITIES/DIFFERENCES BETWEEN INDIAN GAAP, UK GAAP, US GAAP AND IAS</p> <p>NON-CONSOLIDATED AND AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2010, SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010, CASH FLOW STATEMENT (FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008), AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2010, AUDITORS REPORTS AND ANNEXURES TO THE AUDITORS REPORTS (FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008), NON-CONSOLIDATED AND UN-AUDITED FINANCIAL RESULTS FOR THREE MONTHS ENDED 31 MARCH 2011.</p>	

INVESTOR SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS

This Listing Prospectus contains certain forward-looking statements that involve risks and uncertainties. These statements relate to future events or the Company's future financial performance and include, but are not limited to, statements concerning:

- its ability to attract and retain clients;
- the anticipated benefits and risks associated with its business strategy, including those relating to its current and future service offerings;
- its future operating results and the future value of the GDRs;
- the anticipated benefits and risks of its key business relationships;
- the anticipated size or trends of the market segments in which it competes and the anticipated competition in those markets;
- Government regulation; and
- Its future capital requirements and ability to satisfy the capital needs.

Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "could", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "project", "potential" or "continue", the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, the investor should specifically consider various factors, including, amongst other things, the risks outlined in the Risk Factors section beginning on page no 34. These factors may cause the Company's actual results to differ materially from those contained in any forward-looking statement. Although, in the opinion of the Board, the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievement. Except as required by law, the Company has no obligation to update publicly any forward-looking statements for any reason after the date of this Listing Prospectus, and the Company does not undertake to update these statements to reflect actual results or changes in expectations.

SUMMARY

The following is only a summary, which should be read together with the more detailed information regarding the Company, the GDRs and the Company's historical financial statements and the notes thereto included elsewhere in this Listing Prospectus.

INFORMATION ABOUT THE COMPANY

The Company was incorporated in Bombay with the name Pluto Exports & Consultants Limited on 23 March 1985 and was issued a certificate of incorporation by V. Govindan, Asstt. Registrar of Companies, Maharashtra. On 24 June 1991 the Company changed its name to Sterling Tea & Industries Limited and was issued a fresh certificate of incorporation consequent on change of name by H. S. Sharma, Additional Registrar of Companies, Maharashtra.

On 29 March 2001 the Company changed its name to Sterling Biotech Limited and was issued a fresh certificate of incorporation consequent on change of name by A. W. Ansari, Deputy Registrar of Companies, Maharashtra. On 19 April 1985 the Company was issued a Certificate for Commencement of Business by O. P. Jain Additional Registrar of Companies, Maharashtra and the Corporate Identity Number of the Company is L51900MH1985PLC03578.

Financial and Operational Performance

Net sales of the company for the year ended 31 December 2010 was Rs. 16,165.78 Million. The total income of the Company have increased from Rs. 6,108.98 Million in 2006 to Rs. 16,272.16 Million in 2010, representing a CAGR of 27.75 % and the Company's net income has grown from Rs. 1,347.98 Million in 2006 to Rs 1453.23 Million in 2010 representing a CAGR of 1.90%. The PBDIT margins over this period have been 43.49% in 2010, 35.55 % in 2009 and 43.03% in 2008. The net profit margins over this period have been 8.93% in 2010, 16.26% in 2009 and 18.53% in 2008.

Year to Year Profitability

The following table sets forth the Company's performance including net profits and earnings per share for the last three years:

Year	(INR Million)		
	1st Jan 2010 to 31st Dec 2010 (Audited)	1st Jan 2009 to 31st Dec 2009 (Audited)	1st Jan 2008 to 31st Dec 2008 (Audited)
Turnover	16,272.16	14,470.37	11,884.13
PBITDA	7077.19	5,143.79	5,113.35
Depreciation	1976.21	1,230.42	1,071.52
PBIT	5100.98	3,913.37	4,041.83
Interest	2304.71	1,494.38	592.07
Extra-Ordinary Items	631.05	-620.51	113.26
Taxation	712.00	686.25	1,134.75
PAT	1453.22	2,353.26	2,201.75
No. of Shares	267.87	250.20	243.80
EPS (Rs.)	5.69	9.47	9.38

Internal Control System and their Adequacy

The Company has adequate internal control procedure commensurate with its size and nature of the business. The internal control system is supplemented by extensive internal audits, regular reviews by management and well-connected policies and guidelines to ensure reliability of financial and all other records to prepare financial statements. The system of internal controls ensures that its assets are protected against loss from unauthorized use or disposition and all transactions are authorized, recorded and reported in conformity with generally accepted accounting principles.

The internal control systems are documented with clearly defined authority limits. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operation efficiency and adherence to the prescribed management policies. These policies are periodically updated to meet current business requirements.

The Company has a system for regular review of internal Controls to assess its effectiveness and the controls are suitably revised to keep pace with changing business environment. Internal Control System and processes are reviewed and tested by internal auditors on a regular basis. The scope of “audit Program is agreed upon with the Audit Committee. Audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of the said recommendations. Cost control measures on major cost determinants have been implemented. The Company’s internal audit team also carries out extensive audits throughout the year, across all functional areas.

Outlook of the Company

The company is the largest manufacturer of gelatin in Asia and fourth largest in the world with a total manufacturing capacity of 22,500 MTPA. The company specializes in customized pharmaceuticals and nutraceuticals grade gelatin and is an accredited vendor to more than 60 customers across the globe. The company is also into manufacturing of high margin nutraceuticals product called Co-Enzyme Q10 which is witnessing huge demand.

The company expects the demand for gelatin to increase as the global pharma industry is expected to grow at an average 5% per annum and domestic industry to grow at an average 13% per annum. Due to expected increase in gelatin demand, the company is further increasing its capacity by 9000 MTPA in the next two years.

Ongoing expansion plans of the Company

Considering the global potential and expected demand of gelatin, the Company is in the process of expanding its Gelatin manufacturing capacity by 9,000 MTPA to 31,500 MTPA which will be set up within a notified SEZ developed by a Group Company near Vadodara. The Company is leader in Gelatin manufacturing and has experience in implementation of Gelatin projects. The Project is under implementation and scheduled to be completed during 2011. Considering the Company’s implementation capabilities, the Company does not envisage any issues with regard to the implementation and operations of the Project.

Strengths of the Company

High quality production techniques and products

The Company has established modern automated Gelatin production facilities which operate on a continuous basis and enable us to produce Gelatin of international standards of quality. The production process at its Vadodara facilities is certified under ISO 9001 and has received hazardous analysis and critical control point (“**HACCP**”) certification and its Gelatin has been certified by the European Directorate for Quality of Medicine (“**EDQM**”). The Company has 57 customers who are accredited vendors, which include some of the leading global pharmaceutical manufacturers. As a result, the Company is an established player in the global market for pharmaceutical grade Gelatin.

Lower production costs

The Company believes that it has lower production costs than its principal competitors in the United States, Europe and Japan. The Company has access to buffalo bones, its principal raw material, from bone millers

all over India and believes that they are available in India at a lower cost than in the United States, Europe and Japan. HCL and hydrated lime are also readily available at a lower cost than in more developed countries. In addition, skilled professionals are available in India at a lower cost than in more developed countries which enables the Company to retain a skilled technical team at its facilities. All of the electricity necessary to run its production facilities in Vadodara is generated through its on-site captive oil-fuelled power plant, at lower costs than would be available in the market.

High barriers to entry

The Gelatin manufacturing industry is dominated by a small number of largely private companies. The industry is capital and technology-intensive which each provide disincentives for new entrants to the market. In line with the existing players in the Gelatin industry, the Company has proprietary production processes and methods. As a result, it may be difficult for new entrants without experience in the manufacture of Gelatin to enter the market.

Leading position in the Asian pharmaceutical grade Gelatin market

The Company believes that it is the only Gelatin manufacturer in Asia which can produce pharmaceutical grade Gelatin within the parameters and in the volumes required by global pharmaceutical customers. The Company believes that it has more than 75 per cent of the market share for pharmaceutical grade Gelatin in India and it is the largest pharmaceutical grade Gelatin producer in Asia. We believe that we are well-positioned to take advantage of the anticipated growth in the Indian pharmaceutical market for generic drugs after 2006, when a significant amount of global pharmaceutical patents expired, allowing Indian pharmaceutical manufacturers to increase their product ranges.

Future strategies of the Company

The Company's share of the global Gelatin market is 5.2 per cent and its share of the global pharmaceutical grade Gelatin market is 9.3 per cent. The Company has achieved this position by developing high quality production techniques and products, leveraging its low production costs relative to producers in the United States, Europe and Japan and increasing its production capacity through organic growth and acquisition. The Company intends to strengthen its market position by continuing to focus on these areas and positioning ourselves as one of the leading players in the global Gelatin market.

Continue to improve high quality production techniques and products

In 1995, the Company entered into a technical collaboration with Croda, which was then one of the world's leading Gelatin manufacturers. The Company has built on the know-how it obtained from Croda and has developed high quality production techniques which are comparable with those of Gelatin manufacturers in the United States, Europe and Japan. The Company works in association with its customers to produce a blend of Gelatin to their specifications with the parameters they require. Before supplying its products to customers, the Company passes a vendor accreditation process to verify the quality of its products. As of 30 June, 2010, we have been accredited by 67 customers, who include some of the leading global pharmaceutical and nutraceuticals manufacturers and we supply Gelatin to 33 of them. The Company intends to leverage on its experience in the Gelatin industry and continue to commit resources to the further improvement of its production techniques and products so that when its production capacity is increased, it will be able to increase its customer base and market share.

Increase focus on the pharmaceutical and nutraceuticals industries

The Company's current strategy is focused on the production of pharmaceutical grade Gelatin for use in the pharmaceutical and nutraceuticals industries. The Company will continue to focus on the manufacture and supply of Gelatin. However, it also intends to leverage its experience in the pharmaceutical/ healthcare industry to expand its product range to include other protein-based products that are naturally produced and that do not require clinical trials, in particular, CoQ10, a fat soluble vitamin substance that is produced naturally in the human body. In line with this strategy, the Company acquired the manufacturing facility of

Torrent Gujarat Biotech in March 2006, which is used to produce specialised Gelatin derivatives and fermentation based nutraceuticals such as CoQ10.

FINANCIAL SUMMARY

NON-CONSOLIDATED AND AUDITED BALANCE SHEET AS AT 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

(Amount in Million)

PARTICULARS	As at		As at		As at	
	31 December 2010		31 December 2009		31 December 2008	
	AUDITED		AUDITED		AUDITED	
	(INR)	(USD)	(INR)	(USD)	(INR)	(USD)
SOURCES OF FUNDS						
Shareholder's Fund						
Share Capital	267.87	6.20	250.20	5.57	243.80	5.43
Reserves & Surplus	24,441.53	549.00	20453.05	455.32	17035.96	379.25
	24,709.40	555.02	20703.25	460.89	17279.76	384.68
Loan Funds				-		-
Secured Loans	27,911.45	626.94	18257.73	406.45	7887.02	175.58
Unsecured Loans	9,526.95	213.99	12650.98	281.63	18808.27	418.71
	37,438.40	840.93	30908.70	688.08	26695.30	594.29
Deferred Tax Liability	3,118.20	70.04	2808.20	62.52	2473.20	55.06
				-		-
TOTAL	65,266.00	1,465.99	54420.15	1,211.49	46448.26	1,034.02
APPLICATION OF FUNDS						
Fixed Assets				-		-
Gross block	35,726.28	802.48	29,569.15	658.26	27,098.55	603.26
Less: Depreciation	7,277.43	163.46	5,301.22	118.01	4,070.80	90.62
Net Block	28,448.84	639.01	24,267.94	540.25	23,027.75	512.64
Capital work-in-progress	12,627.76	283.64	9,736.64	216.76	7,680.18	170.97
Net Block	41,076.60	922.65	34,004.58	757.00	30,707.93	683.61
				-		-
Investments	3639.29	81.75	2,747.49	61.16	3,062.05	68.17
Current Assets, Loans and Advances						
Current Assets						
Inventories	6,855.10	153.98	5,644.02	125.65	3,447.32	76.74
Sundry Debtors	6,764.10	151.93	5,918.93	131.77	4,127.74	91.89
Cash and Bank Balances	1,583.72	35.57	1,292.36	28.77	1,023.37	22.78
Loans & Advances	6,495.36	145.90	5,654.73	125.88	4,818.32	107.26
Current Liabilities & Provisions						
Current Liabilities	650.42	14.61	483.31	10.76	456.14	10.15
Provisions	558.70	12.55	497.61	11.08	522.37	11.63
Net Current Assets	20,489.17	460.22	17,529.13	390.23	12,438.25	276.90
Misc. Expenditure	60.94	1.37	138.96	3.09	240.03	5.34
TOTAL ASSETS	65,266.00	1465.99	54,420.15	1,211.49	46,448.26	1,034.02

**NON-CONSOLIDATED AND AUDITED PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008**

(Amount in Million)

Particulars	For the year ended		For the year ended		For the year ended	
	31 December 2010		31 December 2009		31 December 2008	
	AUDITED		AUDITED		AUDITED	
	(INR)	(USD)	(INR)	(USD)	(INR)	(USD)
INCOME						
Net Sales	16,165.78	363.11	14381.73	320.16	11783.81	262.33
Other Income	106.38	2.39	88.64	1.97	100.33	2.23
Total Income	16,272.16	365.50	14470.37	322.14	11884.13	264.56
		-		-		-
EXPENDITURE:		-		-		-
(Increase)/Decrease in Stock	-933.23	20.96	-1713.01	38.13	31.31	0.70
Material Cost	6688.32	150.23	7774.94	173.08	4215.39	93.84
Manufacturing & Other Expenses	3439.86	77.27	3264.65	72.68	2524.08	56.19
Interest & Financial charges	2304.71	51.77	1494.38	33.27	592.07	13.18
Depreciation	1976.22	44.39	1230.42	27.39	1071.52	23.85
Total Expenditure	13475.88	302.69	12051.38	268.29	8434.38	187.76
		-		-		-
Profit before Extraordinary Items & Taxation	2796.28	62.81	2418.99	53.85	3449.76	76.80
Extraordinary Item	631.05	14.17	-620.51	13.81	113.26	2.52
Profit After Extraordinary Items but before Taxation	2165.23	48.63	3039.51	67.66	3336.49	74.28
Provision for Taxation	402.00	9.03	350.00	7.79	375.00	8.35
Provision for Deferred Tax	310.00	6.96	335.00	7.46	755.00	16.81
Provision for Fringe Benefit Tax	0.00	-	1.25	0.03	4.75	0.11
Net Profit After Tax	1453.23	32.64	2353.26	52.39	2201.74	49.01
		-		-		-
Prior Year Adjustments	8.84	0.20	16.70	0.37	-9.93	0.22
		-		-		-

Profit Available for Appropriation	1462.07	32.84	2369.95	52.76	2191.81	48.79
Proposed Dividend	133.94	3.01	125.10	2.78	121.90	2.71
Dividend Tax	22.76	0.51	21.26	0.47	20.72	0.46
Transfer to Debenture Redemption Reserve	107.14	2.41	107.14	2.39	107.14	2.39
Transfer to General Reserve	1198.23	26.91	2116.45	47.12	1942.05	43.23

SUMMARY OF THE OFFERING

The following is only a summary of the Offering and is qualified in its entirety by reference to the detailed information included elsewhere in the Listing Prospectus and related documents referred to herein:

The Offering	An Offering of [] GDRs representing [] underlying equity Shares of nominal value Rs. [] each. Each GDR represents [] equity shares in the capital of the Company. The equity Shares represented by the GDRs will represent approximately • % of the Company's outstanding share capital. The GDRs are offered outside the US in reliance on Regulation S.
Offer Price	The Offer Price is US\$ [] per GDR.
The New GDRs	<p>The New GDRs will be delivered by the Depository pursuant to the Deposit Agreement on [] and Supplemental Deposit Agreement dated [] and will represent underlying Shares, which are deposited with ICICI Bank Limited, Mumbai (the "Custodian") in India. The Shares will have substantially the same rights as the already issued Shares (see "Description of the Shares and Company Procedures" and "Term and Conditions of the Global Depositary Receipts" on pages [] and [] respectively).</p> <p>The New GDRs represented by the Temporary Master GDR will not be fungible with the Existing GDRs until the Shares issued by the Company are listed on the Indian Stock Exchanges and the GDRs are listed on the Luxembourg. The New GDRs and the Shares are subject to restrictions on transfer (See "Distribution and Transfer Restrictions").</p>
Shares Issued by the Company	There are 271,597,590 equity shares of Rupee 1/- each issued by the Company as on 30 June 2011 (of which 267,873,590 equity shares are fully paid up)
GDRs Authorised by the Company	<p>The Board Meeting of the Company held on 31 March 2010 passed resolution approving the issue of GDRs.</p> <p>The Shareholders Meeting of the Company held on 30 June 2010, passed approving the issue of GDRs.</p>
Use of Proceeds	<p>The aggregate net proceeds received from this Offering are anticipated to be USD _ Million and are intended to be used for []</p> <p>See also page no. []</p>
Sale and Withdrawal of Shares	Upon the listing of the Shares underlying the GDRs on the Indian Stock Exchanges, a GDR Holder may upon delivery of their GDRs, together with a duly executed order and payment of all necessary fees, expenses, taxes or government charges withdraw and hold the Shares formerly represented by their GDRs directly. In accordance with the Deposit Agreement, the Company shall use its best endeavor to maintain a listing of Shares on the Indian Stock Exchanges, the rules of which require the Shares to be dematerialized prior to listing.
Closing Date	On or about [•]
Nominee of Euroclear	The Bank of New York Depository (Nominees) Limited as nominee for the

and Clearstream, Luxembourg	accounts of Euroclear Bank S.A./N.V., (“ Euroclear ”), and Clearstream Banking, société anonyme (“ Clearstream, International ”)												
Lead Manager	Pan Asia Advisors Limited, 5 th Floor, 108 Canon Street, London U.K. EC4N 6EU, authorised and regulated by the Financial Services Authority.												
Market for the Shares and New GDRs and Listing	The Existing GDRs are listed on the official list of the Luxembourg Stock Exchange and traded on the Euro MTF market. Application has been made to list the New GDRs on the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. The Equity shares of Company are listed and traded on BSE and NSE in India												
Dividends	The Company paid a dividend of 50%, i.e. 0.50 per equity share of face value of Rs. 1/- each for year ended 31 December 2010, 31 December 2009 and 31 December 2008. The Company cannot undertake that any future dividends will be declared or paid. In case the Company declares any dividend in future, GDR Holders will be entitled to receive dividends payable on equity Shares represented by such GDRs. Cash dividends on Shares represented by GDRs will be paid to the Depository in Rupees and, except as otherwise described under “Terms and Conditions of the Global Depository Receipts,” will be converted by the Depository into US dollars and distributed, net of fees, taxes, duties, charges, costs, and expenses, to the GDR Holders.												
Voting Rights	See “Terms and Conditions of the Global Depository Receipts – Voting Rights” on page no. [].												
Taxation	Dividends payable on the Shares are not subject to withholding tax in India under Section 115 AC of the Indian Income Tax Act, 1961. There is an exemption from Indian Capital Gains Tax on the sale in a Foreign Currency of GDRs outside India from one non-resident Indian to another non-resident Indian. See “Taxation – Indian Taxation” at page no.[].												
Settlement	<p>The Master GDR is deposited with a common depository for, and registered in the name of, The Bank of New York Depository (Nominees) Limited, as nominee for the respective accounts of Euroclear and Clearstream Luxembourg.</p> <p>The New GDRs have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream, Luxembourg.</p> <p>Relevant trading information is set forth below.</p> <table> <tr> <td>Existing GDR</td> <td></td> </tr> <tr> <td>ISIN</td> <td>Common Code</td> </tr> <tr> <td>US85916G1085.</td> <td>017757709</td> </tr> </table> <table> <tr> <td>New GDR</td> <td></td> </tr> <tr> <td>Temporary ISIN</td> <td>Temporary Common Code</td> </tr> <tr> <td>US85916G2075</td> <td>Cusip 85916G207</td> </tr> </table> <p>Application has been made to list the GDRs on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.</p> <p>Application has been made to list the New GDRs on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.</p> <p>These New GDRs will not be fungible with the existing GDRs until the listing of the shares on Indian Stock Exchanges and dematerialization of such shares has</p>	Existing GDR		ISIN	Common Code	US85916G1085.	017757709	New GDR		Temporary ISIN	Temporary Common Code	US85916G2075	Cusip 85916G207
Existing GDR													
ISIN	Common Code												
US85916G1085.	017757709												
New GDR													
Temporary ISIN	Temporary Common Code												
US85916G2075	Cusip 85916G207												

	occurred and the New GDRs have been listed on the Luxembourg Stock Exchange.
Transfer Restrictions	GDRs issued by Indian companies to non-residents have free convertibility outside India. As regards transfers of Shares (on conversion of GDRs into Shares) in favour of non-residents, the non-resident (transferee) can instruct the Depository to request that the Custodian release the Shares in favour of the non-resident or to transfer the Shares in the books of the Company in the name of the non-resident to a resident. The RBI has granted general permission permitting the transfer of shares from non-residents to residents provided (a) such shares are released by the Custodian against the surrender of GDRs by the non-resident concerned and (b) the sale is made on a stock exchange or the shares offered for sale in terms of an offer made under the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 (As amended).
Lock in Period	A lock in period does not apply to the GDRs issued under the Issue of FCCB and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 (Notification GSR No. 700(E) dated 12 November 1993).
Risk Factors	Investing in the New GDRs and the Shares represented thereby involves risks which are described in “Risk Factors” beginning on page no. _____.
Governing Laws	The Placing Agreement and the Deposit Agreement will be governed by English law. The rights and obligations attaching to the deposited Shares will be governed by Indian law.

DEFINITIONS

The following definitions apply throughout this Listing Prospectus unless the context otherwise requires:

“Articles of Association”	The articles of association of the Company
“Board”	The board of Directors of the Company
“Clearstream, Luxembourg “	Clearstream Banking, société anonyme
“Closing Date”	Date of closing of subscription period for investor to subscribe for GDR
“Common Depository”	The Bank of New York Mellon London branch.
“Companies Act”	The Indian Companies Act, 1956, as amended from time to time.
“Company”	Sterling Biotech Limited
“Crores/crores”	Unit in the Indian numbering system used both in official and other context in Bangladesh, India, Sri Lanka and Pakistan denoting 10,000,000 in international unit represented numerically as 1,00,00,000.
“Custodian”	ICICI Bank Limited
“Depository”	The Bank of New York Mellon (a wholly owned subsidiary of The Bank of New York Mellon Corporation, which is the holding company)
“Depositories Act”	The Indian Depositories Act, 1996, as amended
“Directors”	The directors of the Company
“Euroclear”	Euroclear Bank S.A./N.V., as operator of the Euroclear System
“Euro”	Legal single currency unit of the Participating Member States of the European Union
“Finance Act”	The Indian Finance Act, 2011 as amended from time to time
“GDR Holders” or “Holders”	Holders of GDRs
“Government”	Government of India
“Income Tax Act”	The Indian Income Tax Act, 1961, as amended
“Indian GAAP”	Generally Accepted Accounting Principles in India
“Issue of Foreign Currency convertible Bonds and Ordinary Shares Scheme”	The Indian Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, as amended
“Issue Date”	Date of Issue of GDR post closing of subscription period for the

	GDR i.e. []
“Lakhs/Lacs”	Unit in the Indian numbering system used both in official and other context in Bangladesh, India, Sri Lanka and Pakistan denoting 100,000 in international unit represented numerically as 1,00,000
“Lead Manager”	Pan Asia Advisors Limited
“Listing Agent”	Euram Bank Asia Limited
“Listing Agreement”	An agreement or undertaking entered into with a stock exchange for listing of the securities of a Company in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, Companies Act, 1956, Guidelines issued by SEBI and Rules, Bye-laws and Regulations of the Exchange.
“Luxembourg Stock Exchange”	Société de la Bourse de Luxembourg S.A.
“Memorandum of Association”	The Memorandum of Association of the Company
“Ministry of Finance”	Ministry of Finance, Government of India
“Listing Prospectus”	This document
“Offer Price”	USD\$ [] per GDR
"Participating Member States"	Any member state of the European Communities that adopts or has adopted the Euro as its lawful currency in accordance with the legislation of the European Community relating to economic and monetary union
“Securities Act”	United States Securities Act of 1933
“Securities Contracts Act”	The Indian Securities Contracts (Regulation) Act, 1956, as amended
“Securities Contracts Rules”	The Indian Securities Contracts (Regulation) Rules, 1957, as amended
“Shareholders”	Holders of Shares of the Company
“Shares”	The equity shares of par value Rs.1/- (Rupee one) each of the Company
“Takeover Code”	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
“US GAAP”	Generally Accepted Accounting Principles in the US

GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

The following definitions and abbreviations apply throughout this Listing Prospectus unless the context otherwise requires:

“AGM”	Annual General Meeting
“approx.”	Approximately
“AS”	Accounting Standards (India)
“BSE”	The Bombay Stock Exchange Limited
“CAGR”	Compounded Annual growth rate
“CLB”	Company Law Board
“CA56”	Companies Act, 1956
Coenzyme Q10	CoQ10
Dicalcium Phosphate	DCP
“EGM”	Extraordinary General Meeting
“ESI”	Employees State Insurance
“ESI Act”	Employees State Insurance Act, 1948
“EPF”	Employees Provident Fund
“EPS”	Earning Per Share
“EPF Act”	Employees Provident Fund and Miscellaneous Provisions Act, 1952
“FCCB”	Foreign Currency Convertible Bond
“FIIA”	Foreign Investment Implementation Authority
“Ft.”	Feet
“FEMA”	The Indian Foreign Exchange Management Act, 1999, as amended
“FIIs”	Foreign Institutional Investors
“FIPB”	Foreign Investment Promotion Board
“FY”	Financial Year
“GAAP”	Generally Accepted Accounting Policies
“GDRs”	Global Depositary Receipts issued by the Depositary pursuant to the Deposit Agreement, each representing [] ordinary equity shares

“IPRs”	Intellectual Property Rights
“mn”	Million
“No.”	Number
“NOC”	No Objection Certificate
“PAT”	Profit After Tax
“PBDIT”	Profit before Depreciation, Interest and Taxes
“QC”	Quality Control
“RBI”	Reserve Bank of India
“RoC”	Registrar of Companies
“Rs.” Or “INR” or “Rupees” or “Indian Rupees”	Indian National Rupee, the legal currency of India
“SEBI”	Securities and Exchange Board of India
“SEBI Act”	Securities and Exchange Board of India Act, 1992, as amended
“Sl. Or Sr. No.”	Serial Number
“sq.”	Square
“US”	United States
"w.e.f."	With effect from
“WHO-cGMP”	World Health Organization – Current Good Manufacturing Practices
“YOY”	Year on Year

RISK FACTORS

An investment in the GDRs involves certain risks. Investors should carefully consider the risks described below and the other information included in this document before investing in the GDRs. The Company's business could be materially affected by any of these risks. In particular, any potential investor in, or purchaser of, GDRs should pay particular attention to the fact that the Company is governed in India by a legal and regulatory environment, which, in some respects, may differ from that which prevails in other countries. The trading price of the GDRs could decline due to any of these risks, and investors may lose all or part of their investment.

RISKS RELATED TO INVESTMENTS IN INDIAN COMPANIES

Political instability could adversely affect the business and economic conditions in India generally, and the Company's business in particular

The Company is incorporated in India and the majority of its assets are located in India. Consequently, its financial performance and the market price of the Shares and GDRs will be affected by changes in exchange rates and controls, interest rates, Government policies, including taxation policies, as well as political, social and economic developments affecting India.

Any potential investor in, and purchaser of, the GDRs should pay particular attention to the fact that the Company is governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the United States, the United Kingdom and other countries. Prior to making an investment decision, prospective investors and purchasers should carefully consider all of the information contained in this Listing Prospectus (including the non-consolidated financial statements included in this Listing Prospectus).

Since 1991, the Government has pursued policies of economic liberalisation and financial sector reforms. Nevertheless, the role of the Indian central and state governments in the Indian economy has remained significant. In the elections in May 2004, a new coalition Government, the united progressive alliance, led by the Indian National Congress party was formed and the same Government has been re elected in the 2009 general elections for a term of five years. The new united progressive alliance Government has announced its general intention to continue India's current economic and financial sector liberalisation and deregulation policies. However, there can be no assurance that these policies will continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in securities could also change. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally, and the Company's business in particular.

There may be less Company information available in the Indian securities markets than securities markets in developed countries.

There may be differences between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than that of markets in the United States and other developed countries. The SEBI is responsible for approving and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries.

Hostilities with neighbouring countries and civil unrest in India may have a material adverse effect on the market for securities in India.

India has from time to time experienced instances of hostilities between neighbouring countries, including between India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in Kashmir and along the India-Pakistan border. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher

degree of risk. Events of this nature in the future, as well as social and civil unrest, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including the GDRs and the Shares, and on the business of the Company.

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 the Company's business, results of operations and financial condition

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on 11 September 2001, New Delhi on 13 December 2001, the bomb blasts in Mumbai on 25 August 2003, October 2004 and July 2011 bomb blasts in Northeast India and the bomb blasts in London on 7 July 2005 and the recent terrorist attacks in Mumbai on 26 November 2008 as well as other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect the Company's business, results and financial condition.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on the Company's business

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

There may be less company information available in the Indian securities markets than securities markets in developed countries

There may be differences between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed countries. SEBI is responsible for approving and improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters.

As the Company operates all its business in India, exchange rate fluctuations may affect the market value of the Shares and GDRs independently of the Company's operating results.

The price of the GDRs will be quoted in US dollars. The Shares are quoted in Rupees on the BSE. Dividends in respect of the Shares will be paid in Rupees and subsequently converted into US dollars for distribution to GDR Holders. The value of the Rupee, measured in US dollars, has been declining over the past few years. However, over the last year, the value of Rupee has appreciated against the US dollar.

Fluctuations in the exchange rate between the Rupee and the US dollar/Euro will affect the US dollar/Euro conversion by the Depository of any cash dividends paid in Rupees on the Shares represented by the GDRs. In addition, fluctuations in the exchange rate between the Rupee and the US dollar/Euro will affect the US dollar/Euro equivalent of the Rupee price of the Company's Shares on the Indian Stock Exchanges and, as a result, are likely to affect the prices of the Company's GDRs. Such fluctuations will also affect the US dollar/Euro value of the proceeds, a GDR Holder would receive upon the sale in India of any Shares withdrawn from the Depository under the Deposit agreement. There can be no assurance that GDR Holders will be able to convert Rupee proceeds into US dollars, Euros or any other currency or the rate at which any such conversion could occur.

Surcharges under the Income Tax Act, 1961 will increase the Company's tax liability and decrease any profits the Company might have in the future.

The statutory corporate income tax rate in India is currently 30%. This tax rate is presently subject to a 7.5% surcharge and a 3% education cess resulting in an effective tax rate of 33.2175%. However, the Company

cannot guarantee that the 7.5% surcharge will be repealed or remain at its current rate or that any other additional surcharges will not be implemented by the Government of India.

Dividends declared, distributed or paid by Indian companies are subject to a dividend distribution tax of 15% excluding the presently applicable surcharge, of 1.125 and an education cess of 0.3225 and 0.16125 secondary and higher education cess resulting in an effective rate of 16.60875% of the total amount of the dividend declared, distributed or paid. The said dividend tax is payable by a company and not the shareholders.

Although the Government has recently issued regulations on relevant tax matters, certain aspects of the Indian tax treatment applicable to the Shares remain unclear.

Capital gains (whether short term or long-term) arising on the sale of the Shares in India are subject to the Income Tax Act. There is an exemption for the purpose of computing the amount of capital gains subject to such tax, as the Government's Global Depository Receipt Scheme specifies that the cost of acquisition of the Shares shall be deemed to be the Share price prevailing on the Indian Stock Exchanges on the date the Depository gives notice to the Custodian requesting the release of such Shares. However, there is no corresponding provision in the Income Tax Act, as to the cost of acquisition of the Shares being the price prevailing on the date of notice/conversion as mentioned above. The period of holding of such Shares, for determining whether the gain is long-term or short-term, commences on the date of the giving of such notice by the Depository to the Custodian. Investors are advised to consult their own tax advisors and to consider carefully the potential tax consequences/liabilities of an investment in the GDRs. See "Taxation".

Conditions in the Indian Securities market may affect the price or liquidity of the Shares and the GDRs.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities and the price of the Company's stock has been especially volatile. For example, the Company's stock price on the BSE ranged from a high of Rs. 101 (approximately \$2.268) and a low of Rs. 80 (approximately \$1.796) in the last quarter ended on 30 June 2011. On 15th July, 2011, the closing price of the Company's shares on the BSE was Rs. 84.85 (approximately \$ 1.905).

(Conversion rate US\$1=Rs. 44.52 as at 15th July 2011)

The Indian stock exchanges have also experienced problems that affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. The BSE was closed for three days in March 1995 following default by a brokerage house. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Similar problems could happen in the future and, if they do, they could affect the market price and liquidity of the Shares and GDRs.

RISKS RELATED TO THE COMPANY'S BUSINESS

INTERNAL RISKS

Litigations involving the Company

The Company is not involved in any material litigation matters.

RISKS RELATED TO INDIA AND THE INTERNATIONAL NATURE OF THE COMPANY'S BUSINESS – EXTERNAL RISK FACTORS

The Company may be unable to expand its Gelatin production capacity in a timely manner and within planned budgets or to integrate any new businesses we acquire.

The Company believes that the most significant factor for the growth of its gelatin business and its profits will be its ability to increase its production capacity through organic growth and acquisitions. The Company is in the process of enhancing our gelatin manufacturing capacity by 9000 metric tons per annum (MTPA) and co-product di-calcium phosphate (“DCP”) manufacturing capacity by 27,000 by the end of 2011, which will increase gelatin manufacturing capacity to 31,500 MTPA. The capacity expansion projects may not be completed on time or within budget and if the Company is unable to successfully increase its capacity to meet demand for its products, its business will suffer.

In addition to capacity expansion, the Company will continue to evaluate acquisition opportunities in and outside of India, and may make acquisitions in the future if suitable opportunities arise. These may require significant investments which may not result in favourable returns. Acquisitions involve risks, including:

- unforeseen contingent risks or latent liabilities relating to these businesses that may only become apparent after the acquisition is finalised;
- a narrower range of products produced and a lower level of production capacity;
- economic, political and legal risks associated with expanding into new and emerging markets;
- integration and management of operations and systems;
- integration and retention of key personnel;
- co-ordination of sales and marketing efforts; and
- diversion of management’s attention from other ongoing business concerns.

If the Company is unable to integrate the operations of an acquired business successfully or manage such future acquisitions profitably, its growth plans may not be met and our revenues and profitability may decline.

The Company’s growth will depend on its ability to manage successfully the expansion of its operations. This growth could place significant strain on its operations and, in case its controls, systems or procedures prove inadequate to support our operations, the Company may be unable to achieve its goals for growth.

The Company’s strategy to expand its product range to include other protein-based products is dependent on its ability to further leverage its existing expertise to expand successfully into new product lines and to continue to identify and acquire appropriate facilities for such production.

The Company intends to further leverage its experience in the pharmaceutical/healthcare industry to expand and develop our product range, including the nutrition supplement CoQ10. CoQ10 is a fat soluble vitamin substance produced naturally in the human body and is used as a dietary supplement. In line with this strategy, the Company acquired manufacturing facilities from Torrent Gujarat Biotech on 30 March 2006, which is used to produce CoQ10. There can be no assurance that we will be able to further leverage our existing expertise to expand into a new product areas, that we will be able to win a sustainable market share or that we will be able to identify and convert, if necessary, suitable plants or acquire such businesses on satisfactory terms. Any failure to leverage successfully our experience into a new product range or to identify and execute future acquisitions successfully, could adversely impact our product expansion strategy.

We depend on a small number of Gelatin customers for a significant portion of our revenues; the loss of a significant customer may affect our profitability.

In the year ended 31 December 2010, 45.5 per cent of total Gelatin sales were made to top five customers. The Company expects that it will continue to depend on a limited number of customers for a significant portion of its revenues because, like other pharmaceutical grade Gelatine manufacturers, the Company works closely and for some time with its customers in order to produce the blend of Gelatin with the parameters they require. Its ability to maintain relationships with its customers is important to the ongoing success and profitability of its business. The Company has no long term supply contracts with its customers and its customers do not provide it with binding commitments with respect to future production. If any of its significant customers reduces delays or cancels its orders, its business would be significantly affected because each of these customers accounts for a significant part of its revenues. In addition, as a result of the

close relationship required between Gelatin manufacturers and its customers, if the Company was to lose any of its significant customers, it may be unable to attract new customers. Even if it would attract new customers, it would take some time to establish a relationship with that customer, which may also have an adverse effect on its business and revenues.

The Company may be unable to respond adequately to the increased competition it expects to face in future.

The products of the Company face competition from Gelatin products manufactured by other companies in India and abroad. Based on data from the Gelatin Manufacturers of Europe (“GME”), the pharmaceutical grade Gelatin market is dominated by European manufacturers, which had a combined market share of approximately 60 per cent by the end of 2009. Our global competitors have greater financial resources and marketing capabilities than we do. We may also be subject to increased competition in the future from new entrants in the pharmaceutical grade Gelatin market, or from existing competitors who expand their production capacities. In each case, this may result in greater price competition for pharmaceutical grade Gelatin, which may have an adverse effect on Company’s revenues, sales margins and results of operations.

The Company’s global competitors have greater experience and stronger brands. Its competitors may succeed in developing technologies and products that are more effective, more popular or cheaper than ours. These developments could render its technologies and products obsolete or uncompetitive, which would harm its business and financial results.

The business of the Company relies on highly technical production equipment and processes

The Company operates modern automated and semi-automated pharmaceutical grade Gelatin production facilities. Such facilities rely on highly technical production equipment and processes to produce pharmaceutical grade Gelatin to international quality standards. The Company is required to constantly monitor and manage each stage of the biological production process to avoid contamination and minimise the bacterial content of the Gelatin. If the Company does not adhere to its production standards, production yields, it may decline and the Company will be unable to produce Gelatin to the standards required by its customers.

As a manufacturing business, there is a risk that from time to time the Company encounter production difficulties resulting in reduced output and/or delivery delays. There can be no assurance that the Company will not experience manufacturing problems in the future as a result of, among other things, reduced production yields, quality control issues, shortages of qualified personnel, compliance with local and international regulations, production and distribution costs, failures or bottlenecks in production processes, capacity constraints, construction delays, or delays in delivery of equipment, any of which could result in a loss of future revenues and market share.

The Company maintains a high level of inventory of raw materials, work in progress and finished goods

In order to produce high quality pharmaceutical grade Gelatin the manufacturing process takes up to six months. In addition, as the Company needs to blend different grades of Gelatin to produce Gelatin with the parameters of its customers require, its inventory of raw materials, work in progress and finished goods is higher than for inventory in other manufacturing industries. As of 31 December 2010, our total inventory amounted to Rs. 6,855 million, and total inventory as days of sales was 154 as of 31 December 2010.

In addition, given the level of inventory as days of sales, the Company is subject to the risk that its stocks of Gelatin, if exposed to heat, water or bacteria, may be contaminated and such losses may not be recoverable under its insurance policies. As its customers are not presently obliged to purchase its products or provide the Company with binding forecasts with respect to future production, there can be no assurance that the Company’s customers will purchase the Gelatin that it produces. If customer demand does not meet its production levels, this would have an adverse effect on the Company’s revenues and profitability.

The Company's manufacturing process relies on steady supplies of raw materials; if the availability of raw materials does not keep pace with growth in its Gelatin capacity, the Company may be unable to utilise its capacity fully.

The Company's manufacturing process relies on steady supplies of animal bone, hydrochloric acid ("HCL") and lime as the base raw materials from which collagen and Gelatin are derived. A particular quality of bones is required to enable us to control and maintain the quality of the Gelatin. Generally, the raw materials are transported to Company's plants by land transport from different regions of India. As a result, supplies of raw materials are subject to various bottlenecks and other hazards beyond its control, including poor road and other transport infrastructure, droughts or monsoons and civil unrest. Either an increase in the prices of these raw materials or a failure to maintain a continuous supply of raw materials of the required quality could have an adverse effect on its revenues, sales margins and results of operations. In addition, to the extent that its production capacity increases, its demand for quality raw material will grow. If the growth in supplies of raw materials, in particular bones, does not keep pace with the growth in its production capacity, its production, capacity utilisation and profitability may be affected.

The Company had no long-term purchase contracts with its suppliers and its suppliers do not provide it with binding commitments with respect to future supplies of raw materials. In the event that the Company experiences a shortage in the supply of raw materials, it might be unable to fulfill its obligations to its customers. This could cause the Company to lose business from adversely affected customers and might subject the Company to lawsuits. The Company cannot provide assurance that supply sources will not be interrupted from time to time.

Our business depends in part on trade secrets and proprietary know-how

In line with existing players in the Gelatin industry, the Company has important proprietary information related to its production processes and methods that are not publicly available. The Company treats these processes and methods as trade secrets. If the Company was to file a patent application in respect of a production process or method relating to the manufacture of Gelatin, there is the risk that new entrants, by reference to that publication, could develop similar processes and methods or use the current processes and methods to develop applications that the existing players have not yet developed themselves. However, there can be no assurance that the Company's employees or employees of its competitors will not use or disclose to third parties proprietary information or know-how obtained while working for the Company or for its competitors. Such disclosure would enable a new entrant to the market to develop viable processes for the manufacture of pharmaceutical grade Gelatin more quickly than developing processes themselves.

If the Company fails to comply with environmental laws and regulations, or face environmental litigation, our costs may increase.

The Company may incur substantial costs in complying with requirements of environmental laws and regulations. In addition, currently unknown environmental problems or conditions may be discovered. The Company is 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. The Company is currently permitted to pump effluent from its main plant at Vadodara into the adjacent effluent canal of the Government of Gujarat, and from our facility at Udhagmandalam ("Ooty") in Tamil Nadu into the Pykara dam backwater.

If such permission were to be withdrawn or onerous conditions were imposed, we would have to find alternative means of handling the effluents from the plant. Environmental laws and regulations are not as extensive in India as they are in other countries such as the United States. They have, however, been increasing in stringency and it is possible that they will become significantly more stringent in the future.

If Government regulations affecting our business change, costs of compliance may increase

The cost of complying with Government regulations can be substantial. Government authorities in the United States, Europe, India, China and other countries regulate the manufacture and safety of products used in pharmaceuticals. The regulations applicable to existing products may change and to the extent that we

introduce new products we may be subject to new regulatory regimes. There can be long delays in obtaining the required clearances from regulatory authorities in any country after applications are filed. New regulations may require extensive trials and other testing and government review and final approval before products can be marketed. Whether or not a product is approved in India or other jurisdictions, regulatory authorities in many of the markets to which we export products must approve that product before we can begin to market it in those countries. The time required to obtain any approval may be longer than anticipated. Any failure or delay in obtaining regulatory approvals could harm the marketing of any products we develop and our financial results.

The Company may be at risk of competition if commercially viable substitutes for its products are found.

As a protein derived from nature, the properties of Gelatin are difficult to replicate in alternative products. However, research is currently being undertaken to find replacements and substitutes for Gelatin, and should a cheaper and commercially viable replacement be discovered, Gelatin manufacturing would be faced with new competition, which could have an adverse effect on Company's business and the Gelatin industry. In addition, the Company's business could also be adversely affected if the pharmaceutical and nutraceutical industries were to find cheaper and commercially viable alternative delivery methods for their medicines and health supplements.

The risk of a substitute product being discovered cannot be quantified. If a commercially viable substitute for our co-product DCP is found, this would also have an adverse effect on our revenues and results of operations.

RISKS RELATED TO THE GDRs AND THE TRADING MARKET

GDR Holders will not have any voting rights.

GDRs Holders will have no voting rights with respect to the Shares underlying the GDRs. The Depository may be granted voting rights with respect to the Shares underlying the GDRs from time to time but, for the avoidance of doubt, will not exercise any such rights. See "Terms and Conditions of Global Depositary Receipts – Voting Rights" on page no. 124.

The Depository will not exercise any voting rights it may be granted with respect to the Shares underlying the GDRs under any circumstances. Shares which have been withdrawn from the depository facility and transferred on the Company's register of members to a person other than the Depository or its nominee may be voted by the holders thereof. However, the Holders of GDRs may not receive sufficient advance notice of shareholders meetings to enable them to withdraw the Shares and vote at such meetings.

Restrictions on foreign investment may affect the price of the GDRs.

Foreign investment in Indian securities is regulated by FEMA. In certain emerging markets, including India, GDRs may trade at a discount or premium, as the case may be, to the Shares, in part because of restrictions on foreign ownership of the Shares. The RBI has granted a general exemption permitting the transfer of Shares underlying the GDRs, after such Shares have been converted from GDRs, from non-residents to residents, provided that the Shares are released by the Indian custodian in respect of a GDR issue against the surrender of the GDRs by the non-resident, and further provided that the sale was made on a stock exchange, or the Shares underlying the GDRs were offered for sale by way of an offer made under the provisions of the SEBI. In the case of a transfer of shares on conversion into Shares in favour of residents, no prior approval of the RBI will be required for the transfer of Shares from non-residents to residents.

GDR Holders who seek to convert the Rupee proceeds from a sale of Shares underlying the GDRs in India into foreign currency and to repatriate such foreign currency from India are not required to obtain prior RBI approval for each such transaction.

Issues of GDRs may not result in the market for GDRs being more active or liquid, particularly in light of Indian legal restrictions on equity share conversion and other restrictions.

The Company cannot predict the extent to which issues of GDRs will change the public trading market for the GDRs. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. Liquidity of a securities market is often a function of the volume of the Shares that are publicly held by unrelated parties. Although GDR Holders are entitled to withdraw the Shares from the Depository at any time, there is no public market for the Shares anywhere outside India.

Future issues of GDRs or sales of the Shares may significantly affect the trading price of the Shares or the GDRs.

The future issuance of Shares by the Company or the disposal of Shares by any of the major shareholders of the Company or the perception that such issuance or sales may occur may significantly affect the trading price of the Shares and the GDRs.

GDR Holders may face uncertainties in their ability to withdraw Shares from the GDR depository facility and any such withdrawal may be subject to delays.

India's restriction on foreign ownership of Indian companies limits the number of shares that may be owned by foreign investors and generally requires Government approval for foreign ownership. Although the Company is not required to obtain Government approval for the offering, investors who withdraw Shares from the GDR facility for the purpose of selling such Shares will be subject to Indian regulatory restrictions on foreign ownership upon withdrawal. It is possible that this withdrawal process may be subject to delays.

GDR Holders may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.

Under the Companies Act, a public company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares unless the pre-emptive rights have been waived by a special resolution requiring the affirmative vote of 75% of the shares voting on that resolution. Overseas GDR Holders may be unable to exercise pre-emptive rights for the Shares unless a registration statement under the Securities Act is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. The Company's decision to file a registration statement will depend on the costs and potential liabilities associated with any given registration statement as well as the perceived benefits of enabling the GDR Holders to exercise their pre-emptive rights and any other factors that the Company deems appropriate to consider at the time the decision must be made. The Company may elect not to file a registration statement. In the case of such future issuance, the new securities may be issued to its Depository, which may sell the securities for the benefit of the GDR Holders. The value, if any, the Depository would receive upon the sale of such securities cannot be predicted. To the extent that GDR Holders are unable to exercise pre-emptive rights granted in respect of the Shares represented by their GDRs, their proportional interests in the Company would be different to other shareholders.

There is no guarantee that the Shares will be listed on the Indian Stock Exchanges.

The existing shares of the Company are listed on the Indian Stock Exchanges. The Company will apply to obtain permission of the Indian Stock Exchanges to list the Shares represented by the GDRs upon the GDRs having been issued. Pursuant to the terms of the Deposit Agreement, the Company has undertaken to use its best endeavours to obtain and thereof to maintain a listing of the Shares on the Indian Stock Exchanges. Application for listing of the Shares underlying the GDRs will not, in accordance with Indian law and practice, be made until those Shares and the GDRs representing them have been allotted and issued.

Until the underlying shares are listed on the Indian Stock Exchange and are dematerialised, GDR holders will not be able to cancel their GDRs. If the permission for listing is never granted, the GDR issue will have to be unwound.

There is no guarantee that such permission for listing of Shares on the Indian Stock Exchanges will be granted. There could also be a delay in the listing of the Shares on the Indian Stock Exchanges. The Shares

may be withdrawn by holders of GDRs from the GDR facility only after the listing of the underlying Shares on at least one of the Indian Stock Exchanges. Any failure or delay in obtaining such approval for listing would restrict the ability of GDR holders to withdraw the Shares from the depositary facility and trade them, which could affect the liquidity of the GDRs.

There is no existing market for the GDRs, and an active market for the GDRs may not develop, which may cause the price of the GDRs to fall.

Although, application has been made to list the GDRs on the official list and to trade on the Euro MTF market of the Luxembourg Stock Exchange, an active market for the GDRs may not develop. There can be no assurance regarding the future development of a market for the GDRs or as to the liquidity or sustainability of any such market, the ability of GDR Holders to sell their GDRs or the price at which GDR Holders may be able to sell their GDRs. If an active trading market were to develop, the GDRs could trade at prices that may be lower than the initial market value thereof depending on many factors, including prevailing market interest rates, the Company's operating results and the market for similar securities. The Lead Manager has no obligation to make a market for the GDRs. In addition, the market for debt and equity securities in emerging markets has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the GDRs. There can be no assurance that the markets for the GDRs, if any, will not be subject to similar disruptions. Any disruptions in these markets may have an adverse effect on the market price of the GDRs.

GDR holders will bear the risk of fluctuations in the price of the Shares.

The market price for the GDRs is expected to be affected by the fluctuations in the market price for the Shares. Trading prices of the GDRs will be influenced by, among other factors, our financial condition, results of operations and political, economic and financial factors. Any decline in the price of the Shares may have an adverse effect on the market price of the GDRs. Sales of a substantial number of Shares in the public market could adversely affect the prevailing market price of the Shares.

As the Shares are quoted in Rupees in India, investors may be subject to potential losses arising out of exchange rate risk on the Rupee and risks associated with the conversion of Rupee proceeds into foreign currency.

Investors that purchase GDRs are required to pay for the GDRs in U.S. dollars. Investors may be subject to currency fluctuation risk and convertibility risk since the Shares are quoted in Rupees on the Indian Stock Exchanges on which they are listed. Dividends on the Shares will also be paid in Rupees, and then converted into U.S. dollars for distribution to GDR investors. Holders of Rupees in India may also generally not purchase foreign currency without general or special approval from the RBI. However, dividends received by the Depositary in Rupees and Rupee proceeds arising from the sale of shares on an Indian stock exchange which have been withdrawn from the depositary facility may be converted into U.S. dollars at the market rate.

PRICE RANGE OF EQUITY SHARES

The Company's equity shares are listed and traded on the Indian Stock Exchanges. The prices for equity shares as quoted in the official list of the Indian Stock Exchanges are expressed in Indian Rupees. For the last five years, the following figures are provided quarterly in respect of the BSE.

- the reported high and low sales prices quoted in Rupees for the equity shares; and
- The total and average trading volume for the equity shares.

The Company's equity Shares are listed and traded on the Indian Stock Exchanges. The prices for equity Shares as quoted in the official list of the Indian Stock Exchanges are expressed in Indian Rupees. The following figures are provided monthly in respect of the BSE:

- the reported high and low sales prices quoted in Rupees for the equity shares; and
- The total and average trading volume for the equity shares.

Quarters	Share Price (INR)		Volume (Nos)	
	High	Low	No. of Shares	No. of Trades
January – March 2005	189.90	82.00	21,065,057	91,120
April – June 2005	96.70	78.00	8,041,641	22,116
July – September 2005	178.60	82.90	148,963,605	398,335
October – December 2005	159.00	120.75	51,863,437	206,436
January – March 2006	132.00	117.80	20,842,322	54,880
April – June 2006	131.75	99.25	26,433,841	43,138
July – September 2006	156.50	87.35	36,810,490	183,735
October – December 2006	202.00	115.40	104,494,214	481,887
January – March 2007	207.90	138.10	6,072,8027	121,295
April – June 2007	198.70	129.00	26,148,703	180,100
July – September 2007	206.90	154.05	9,008,848	66,733
October – December 2007	181.00	150.00	16,496,138	52,762
January – March 2008	182.00	131.00	14,234,873	34,277
April-June 2008	220.90	159.10	17,769,914	54,073
July – September 2008	262.45	162.00	22,903,704	80,672
October- December 2008	214.00	152.70	16,418,954	70,792
January – March , 2009	170.00	136.00	18,475,157	47,167
April 2009 – June 2009	146.35	110.35	17,174,814	66,860
July 2009 – September 2009	122.65	107.60	14,149,138	75,897
October, 2009 – December 2009	118.45	90.05	9,007,655	53,077
January 2010 –March 2010	114.45	90.00	14,364,793	85,554
April 2010 – June 2010	117.85	105.00	11,740,095	45,088
July 2010 – September 2010	120.00	103.00	17,008,176	39,914

October 2010 – December 2010	125.65	99.15	18,923,016	32,797
January 2011 – March 2011	106.80	93.36	20,493,086	30,471
April 2011 – June 2011	101.00	80.00	25,133,034	55,111
July 2011				

As at 15th July, 2011 the closing price of the Shares on BSE was Rs. 84.85. The Shares of the Company have been listed on the BSE since August 1985 and on the NSE since May 2003

EXCHANGE RATES

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of the Shares on the Bombay Stock Exchange and as a result, are likely to affect the market price of the GDRs.

The following table sets forth, for the periods indicated, certain information with respect to the exchange rate between the Indian rupee and the U.S. dollar (in rupees per U.S. dollar) for the periods indicated based on the reference rate published by the RBI. No representation is made that the rupee amounts actually represent such U.S. dollar amounts or could have been or could be converted into U.S. dollars at the rates indicated, any other rate or at all.

Particulars	Period End	Average	High	Low
3 months ended 30 June 2007	40.73500	41.33399	43.59000	40.36000
3 month ended 30 September 2007	39.81000	40.54041	41.35300	39.61500
3 month ended 31 December 2007	39.43500	39.49713	39.90000	39.22500
3 month ended 31 March 2008	39.90000	39.80056	40.82500	39.22500
3 months ended 30 June 2008	42.84940	41.62208	43.17500	39.80000
3 months ended 30 September 2008	47.34760	43.80740	47.97500	41.78500
3 months ended 31 December 2008	49.71780	49.96031	53.96500	47.01070
3 months ended 31 March 2009	50.95	49.76	52.06	48.37
3 month ended 30 June 2009	47.87	49.52	50.53	46.84
3 months ended 30 September 2009	47.80	48.42	49.40	47.54
3 months ended 31 December 2009	46.68	46.63	46.85	46.22
3 months ended 31 March 2010	45.14	45.92	46.81	44.94
3 months ended 30 June 2010	46.40	45.67	44.62	44.33
3 months ended 30 September 2010	44.92	47.25	47.33	44.92
3 months ended 31 December 2010	44.81	44.86	46.04	44.03
3 months ended 31 March 2011	44.65	45.26	45.95	44.65
3 months ended 30 June 2011	44.72	44.74	45.38	44.04

The average of the daily reference exchange rates on the last day of each full month during the relevant period. The exchange rate as at 15 July 2011 was Rs. 44.52 per U.S dollar.

(Source –<http://www.rbi.org.in/home.aspx>).

CAPITAL STRUCTURE

The Capital Structure of the Company as at 30 June, 2011 is as follows:

Share Capital		Amount (in Rs.)
A	Authorized Capital of the Company 500,000,000 Equity Shares of Re. 1 each	500,000,000
B	Issued, Subscribed, Called Up and Paid Up	267,873,590
C	Present Offer	
	[] Equity Shares of Rs. [] (Rupees [] only) each.	[]
D	Equity Capital after the Present Offer (B+C)	[]

DISTRIBUTION AND TRANSFER RESTRICTIONS

The GDRs and the Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Acts. Terms used in this paragraph have the meanings given to them by Regulation S.

The Lead Manager has agreed that, except as permitted by the Placing Agreement, it will not offer or sell the GDRs (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering, the Issue Date and the issue date with respect to the additional GDRs (if any) issued pursuant to over allotments (the “**Distribution Compliance Period**”), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the GDRs during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the GDRs within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The GDRs are being offered or sold outside the United States to non-U.S. persons in reliance on Regulation S. In addition, during the Distribution Compliance Period, an offer or sale of the GDRs or the Shares within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

The GDRs may not be offered or sold directly or indirectly in India, to residents of India, or to, or for the account or benefit of, such persons in connection with the issue or at any time thereafter. Each person acquiring a beneficial interest in any GDR will be deemed to have represented and agreed as follows:

- (1) It is not located in India, is not a resident of India and is not purchasing for, or for the account or benefit of, such a person.
- (2) It acknowledges that the GDRs may not be offered, sold, pledged or otherwise transferred to any person located in India, to residents of India, or to, or from the account or benefit of, such persons.
- (3) The GDRs and the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.
- (4) Each owner purchasing prior to the expiration of the Distribution Compliance Period is purchasing the GDRs in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S.
- (5) The GDRs and the Shares may not be sold, pledged or transferred to, or for the account or benefit of, any U.S. person during the Distribution Compliance Period.
- (6) Such owner will not offer, sell, pledge or otherwise transfer any interest in the GDRs or the Shares except as permitted by the applicable legend set forth in paragraphs (7)-(9) below.
- (7) It understands that the GDRs will bear a legend substantially to the following effect:

THIS REGULATION S, GLOBAL DEPOSITARY RECEIPT AND THE SHARES OF STERLING BIOTECH LIMITED REPRESENTED HEREBY (“THE SHARES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, PRIOR TO THE EXPIRATION OF A DISTRIBUTION COMPLIANCE PERIOD (DEFINED AS THE PERIOD ENDING 40 DAYS AFTER THE LATEST OF THE COMMENCEMENT OF THE GDR OFFERING, THE ORIGINAL ISSUE DATE OF THE GDRs AND THE LATEST ISSUE DATE WITH RESPECT TO THE ADDITIONAL GDRs, IF ANY, ISSUED TO COVER OVER-

ALLOTMENTS) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD REFERRED TO ABOVE, THIS REGULATION S GLOBAL DEPOSITARY RECEIPT AND THE SHARES REPRESENTED HEREBY SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, **PROVIDED THAT** THE OFFER OR SALE OF THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER HEREOF AT THE TIME OF SUCH EXPIRATION OR ANY TIME THEREAFTER MAY ONLY BE EFFECTED (I) IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL OTHER APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR (II) PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE HOLDER HEREOF, BY PURCHASING THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED BY THIS CERTIFICATE, AGREES, FOR THE BENEFIT OF STERLING BIOTECH LIMITED AND THE DEPOSITARY NAMED BELOW THAT THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED BY THIS CERTIFICATE MAY NOT, UNLESS EXPRESSLY PERMITTED BY INDIAN LAWS AND REGULATIONS, AT ANY TIME BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON LOCATED IN INDIA, RESIDENTS OF INDIA OR ANY INELIGIBLE INVESTOR, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSONS.

EACH HOLDER BY ITS ACCEPTANCE OF THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED HEREBY AND THE BENEFICIAL INTEREST IN THE SHARES REPRESENTED THEREBY REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.”

- (8) Until the Shares are listed, each GDR shall also bear the following legend, which thereafter may be removed:

“UNTIL THE SHARES ARE LISTED ON THE BOMBAY STOCK EXCHANGE LIMITED AND NATIONAL STOCK EXCHANGE OF INDIA (OR SUCH OTHER INDIAN STOCK EXCHANGES UPON WHICH STERLING BIOTECH LIMITED SHARES ARE LISTED), NO GDR HOLDER WILL BE ENTITLED TO WITHDRAW THE DEPOSITED PROPERTY REPRESENTED BY SUCH GDRS AND NO PERSON SHALL BE PERMITTED TO MAKE ANY FURTHER DEPOSIT OF SHARES INTO THE FACILITY.”

- (9) Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restriction, may not be recognised by the Company or the Depositary in respect of the GDRs. Because of the restrictions, purchasers are advised to consult legal counsel prior to making any resale, pledge or transfer of GDRs.

ENFORCEMENT OF JUDGMENTS OBTAINED IN OTHER JURISDICTIONS

The Company is a public limited liability company incorporated and operating under the laws of the Republic of India. Consequently, it may be difficult for investors to effect service of process in respect of proceedings issued outside India upon Directors and executive officers of the Company or the Indian advisers named in this Listing Prospectus. It may also be difficult to enforce judgments obtained in other jurisdictions against the Company.

However, it has been advised by FoxMandal Little Solicitors & Advocates, that the statutory basis for recognition of foreign judgments is found in Section 13 of the Indian Code of Civil Procedure, 1908, which provides that an Indian court may recognize a foreign civil judgment, subject to certain time limitations, as conclusive evidence of any matter directly decided upon, if it finds that:

- (i) the judgment has been pronounced by a court of competent jurisdiction;
- (ii) the judgment has been given on the merits of the case;
- (iii) the judgment does not appear on the face of the proceedings to be founded on an incorrect interpretation of international law or a refusal to recognize the law of India in cases where such law is applicable;
- (iv) the proceedings in which the judgment was obtained were not opposed to natural justice;
- (v) the judgment has not been obtained by fraud; and
- (vi) the judgment does not sustain a claim founded on a breach of any law in force in India.

Section 44A of the Indian Code of Civil Procedure, 1908, provides that where a foreign judgment has been made by a court in any country or territory outside India, which the Government of India has by notification declared to be a reciprocating territory, such judgment may be enforced in India, as if the judgment had been rendered by the relevant court in India. The United States and certain countries in Europe have not been declared by the Government to be a reciprocating territory for the purposes of Section 44A. Accordingly, a judgment of a court in the United States or certain European countries may be enforced in India only by “suit upon the judgment”, and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India, whether by suit upon the judgment or by proceedings in execution, is required to obtain the approval of the RBI under FEMA if such enforcement involves any matter requiring approval under FEMA, including the repatriation of any amount recovered. FoxMandal Little Solicitors & Advocates have advised the Company, that a party may also file a suit in India against the Company, its Directors, and its executive officers as an original action.

USE OF PROCEEDS

The total proceeds from this offering are estimated to be about USD 250 Million, and the net proceeds after deduction of fees and expenses associated with this offering, are anticipated to be about USD 240 Million. Proceeds so raised will be utilized for the below mentioned activities:

- (a) General Corporate purposes (USD 50 Million);
- (b) Capital Expenditures (USD 75 Million);
- (c) Investments in Other Companies (USD 115 Million).

INDUSTRY OVERVIEW

Gelatin Market

Sterling Biotech Limited is the largest manufacturer of Gelatin in India and fourth largest producer of Gelatin globally. The key products of the Company are Gelatin, Coenzyme Q10 and Dicalcium Phosphate (DCP). DCP is a by-product of the Gelatin manufacturing process and is sold domestically as poultry feed and fertilizer raw material.

As per Gelatin Manufacturers of Europe (GME) estimates in the year 2008 world market size of Gelatin was 339,711 mtpa estimated at USD 1.3 billion, (source : GME website) which is growing at CAGR of 4.1% during past five years. The global Gelatin market is a closely grouped industry with top 5 players controlling over 63% of production. There are about 25 manufacturers of Gelatin globally. Europe is the largest Gelatin producer and consumer region world wide. In 2008, European manufacturers produced 44% of the Global Gelatin production. North America is the second largest market of Gelatin, consuming around 37% of world consumption. Around 75% of the Global Gelatin market is in US, Europe and Japan.

In 2010, the Company had a capacity of 22,500 MTPA which will increase to 31,500 on completion of the Project. Other domestic players include Nitta Gelatin (Capacity 3,500 MTPA), Narmada Gelatin (2,750 MTPA), Indian Gelatine and Chemicals (2,000 MTPA) and C.J. Gelatin (1000 MTPA).

In 2008, based on the end user market segment, the global pharma Gelatin market was estimated at 78,000 MTPA with growth of 5.3% over previous year and CAGR growth of 6% over past five years. In 2008, the demand is more than supply and demand supply gap is about 15,000 MTPA of global pharma Gelatin, which is further expected to widen.

The Company is already marketing its products across the globe and has been enjoying a diversified customer base across the continents. Its top five customers and ten customers account for approximately 45% and 60% of sales respectively and no single player constitutes more than 20% of sales. The Company is accredited vendor to 64 customers, which include some of the leading global pharmaceutical and nutraceuticals manufacturers.

Key Products

Sterling Biotech is a major producer of nutraceutical, biopharmaceutical & pharmaceutical Gelatin, which has a wide range of applications such as capsules, tablets, health supplements, surgical aids, suppositories as a blood plasma expander and in treatment of arthritis, bleeding disorders and cartilage related diseases. It is amongst the top five Gelatin producers in the world with a 6.6% market share. It is one of the largest producers of pharma Gelatin in Asia. Since its entry into the Gelatin industry, SBL has consolidated its position as a major producer of pharmaceutical Gelatin by investing in capacity and quality standards and enhancing its market share.

Gelatin is a pure protein obtained from animal raw materials containing collagen (white connective tissue of animal skins and bones). Gelatin contains 84-90% protein, 1-2% mineral salts and rest being water. The most common form of Gelatin is edible Gelatin. There are four types of Gelatin namely Edible, Pharmaceutical/ Nutraceutical, Photographic and Technical which are used for a variety of specific end-usage. The principal end-users of Gelatin are the food, pharmaceutical, photographic industries, with other usage in technical applications.

Dicalcium Phosphate (DCP) is by-product of the Gelatin manufacturing process. It is used as poultry-feed and medicine and raw material in fertilizer industry in India. DCP finds further applications in products such as talcum powder, fertilizers and toothpaste.

Coenzyme Q10 (CoQ10) is a fat soluble vitamin substance which is produced naturally in the human body. It serves as a coenzyme for several of the key enzymatic steps in the production of energy and has antioxidant effects. As a dietary supplement, CoQ10 has been proved to be effective in improving memory, boosting immunity and energy as well as enhancing exercise performance. It finds application in the

treatment of all heart-related ailments, thyroid, Alzheimer's disease, Parkinson's disease, AIDS, cancer, dental and skin diseases and many more under research.

MARKET ANALYSIS

The Company is the largest manufacturer of Gelatin in India and among the top five producers globally. The key products of the Company are Gelatin, Coenzyme Q10 and Dicalcium Phosphate (DCP). Analysis of Gelatin and Coenzyme Q10 market is given below. DCP is a by-product of Gelatin manufacturing process and sold domestically as poultry feed and fertilizer raw material.

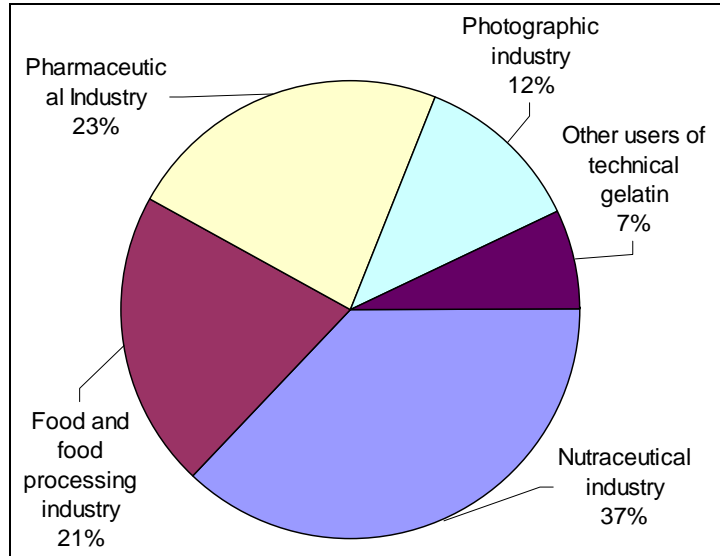
Gelatine Market

Gelatin is derived from the protein, collagen with a wide variety of end uses. It is mostly used in the pharmaceutical, food and photographic industry. There are four types of principal end users of Gelatin namely Pharmaceutical/ Nutraceutical, Edible, Photographic, and Technical which uses gelatin for a variety of specific end-usage as briefly mentioned below:

- **Pharmaceuticals/Nutraceutical:** Gelatin is widely used in the pharmaceutical/nutraceuticals industry for making hard and soft shell capsules and for binding tablets, where it helps in preventing oxidation and makes the preparation more palatable. Pharma Gelatin is highly hygiene oriented and hence its price is sensitive to quality.
- **Edible:** Gelatin is mainly used for its gelling, thickening, plasticising, emulsifying, moisture retaining, binding and consistency-modifying properties, as well as its nutritional value.
- **Photographic:** Gelatin is widely used for photo materials. Its physical properties are essential for the coating of discretely layered film and paper products, and for the subsequent processing of the exposed material.
- **Technical:** Lowest extracts of Gelatin that does not pass the quality tests for edible grade is called technical Gelatin (glue) and is used in process industries as Specialty Papers, Match Sticks, etc.

The total market for Gelatin based on end usage can be segmented as shown below:

Figure 0-1 Gelatin market based on end usage



The Gelatin market can also be segmented based on raw materials used for Gelatin production like cattle bones, cattle hides, pigskins and fish. Break up of global Gelatin produced based on raw material is: Pig skin-derived Gelatin (46%), bovine hides (29.4%), bones (23.1%), and fish & other sources (1.5%). In Europe, 80% of the edible Gelatin produced is pure pig-skin Gelatin, 15% comes from cattle split (the thin layer containing collagen between the upper skin and the subcutaneous layer), and the remaining 5% comes from pig and cattle bones, poultry and fish. In contrast, Indian producers use bones as the primary raw material as India has world’s largest cattle population. The abundant availability of cattle bones provides an excellent source of cheap raw material to produce high quality Gelatin.

Bovine Gelatin is preferred due to its encapsulation properties in pharmaceutical applications and the higher bloom as required in the Pharmaceutical industry. Gelatin can be extracted from warm- and coldwater fish skins, bones, and fins. However production is very low – contributing ~ 1% of the annual world Gelatin production. Key limiting factors are lack of availability and security of supply of raw material and relatively low extraction yield.

The most important physical property of Gelatin is its Bloom Value. Bloom value is a measurement of the gelling power and the firmness or strength of the resulting gel. Gelatin generally falls between 50 and 300 bloom strength. Sterling produces limed Gelatin with bloom strength in the range of 150-270 Bloom, which is used in the manufacturing of hard and soft capsules and is also used in the food and nutraceuticals industry.

Global Gelatin Market

The global Gelatin market is a closely grouped industry with top 5 players controlling over 70% of production. There are about 25 manufacturers of Gelatin globally. Europe is the largest Gelatin producer and consumer region world wide. In 2008, European manufacturers produced 44% of the Global Gelatin production. North & South America is the second largest market of Gelatin, consuming around 37% of world consumption. Around 75% of the Global Gelatin market is in US, Europe and Japan. As per Gelatin Manufacturers of Europe (GME) estimates in the year 2008 world market size of Gelatin was 339,711 mtpa estimated at USD 1.3 billion, which is growing at CAGR of 4.1% during past five years.

Table 0-1 Region wise global Gelatin market share

Region	Market share
--------	--------------

Europe	44.0%
North America	22.0%
South America	15.0%
Asia	18.0%
Rest of World	1.0%
Total	100.0%

(source GME website)

The Company is the largest producer of Gelatin in India. In 2010, the company had a capacity of 22,500 MTPA which will increase to 31,500 by the end of 2011 on completion of the expansion project. Other domestic players include Nitta Gelatin (Capacity 3,500 MTPA), Narmada Gelatin (2,750 MTPA), Indian Gelatine and Chemicals (2,000 MTPA) and C.J. Gelatin (1000 MTPA). While, the pharmaceutical Gelatin market has experienced growth of 5% to 7% globally in past years, Indian market is growing at 15 to 17% per annum and these trends are expected to continue.

Price trends

Gelatin is a specialized product manufactured to exacting specifications and used in a wide variety of applications. There is, therefore, no commodity price for Gelatin and the market price for the same application can vary slightly from country to country. In general, the more sophisticated the application for Gelatin, the more demanding the specifications to be met and the higher the price.

Average price realization of Bone Gelatin has grown at a CAGR of 3.8%, while that of Fish Gelatin has been 5.9%. Prices of Hydrolized Gelatin have remained stable during 2007-08. Key competitive advantage for SBL is aggregate raw material cost. For Sterling Biotech material cost is around 30% of sales, while for U.S. and European manufacturers, it is in excess of 50%. More than 80% of global Gelatine is produced in high cost continents and countries such as North America, Europe and Japan.

Customer base

The Company is already marketing its products across the Globe and has been enjoying a diversified customer base across the continents. Its top 5 customers and 10 customers account for approximately 45% and 60% of sales respectively and no single player constitutes more than 20% of sales. Customers of the Company are spread over different countries as well as different market segments (mainly the nutraceuticals and pharmaceuticals). Country wise revenue break up of the Company is shown below:

The Company's products have certification from Kosher, Ifanka (Halal), HACCP, ISO 9001, ISO 14001 and European Directorate for Quality of Medicine (EDQM). It is one of only seven companies globally to have EDQM certification and has product quality which confirms with US, Japanese, U.K. and European Pharmacopoeia. The table below lists key customers of the Company in various product categories.

Thus, the customers are spread over different countries as well as different market segments (mainly the nutraceuticals and pharmaceuticals). This would ensure smooth marketing without any stock piling of the finished goods.

(Source for Industry information GME where stated else Company)

COMPANY INFORMATION

The Company was incorporated in Bombay with the name Pluto Exports & Consultants Limited on 23 March 1985 and was issued a certificate of incorporation by V. Govindan, Asstt. Registrar of Companies, Maharashtra. On 24 June 1991 the Company changed its name to Sterling Tea & Industries Limited and was issued a fresh certificate of incorporation consequent on change of name by H. S. Sharma, Additional Register of Companies, Maharashtra.

On 29 March 2001 the Company changed its name to Sterling Biotech Limited and was issued a fresh certificate of incorporation consequent on change of name by A. W. Ansari, Deputy Registrar of Companies, Maharashtra. On 19 April 1985 the Company was issued a Certificate for Commencement of Business by O. P. Jain Additional Registrar of Companies, Maharashtra.

Brief History of the Company and its growth in the past

Sterling Biotech Limited, was incorporated in March 1985, as Pluto Exports & Consultants Limited, and was involved in trading of commodities like spices, tea and pulses. In 1991, Pluto Exports & Consultants Limited entered into tea plantation business as the industry experienced substantial growth during the early 1990s and in June 1991 changed its name to Sterling Tea and Industries Limited. With growth potential in food, pharmaceuticals and photography industries, it diversified into the production of pharmaceutical Gelatin. Consequently in 1997, Sterling Tea and Industries Limited successfully commissioned its first Gelatin production facility, with an installed capacity of 2,200 MT, at Karakhadi, Dist Vadadora, Gujarat. Later, Sterling Tea and Industries Limited decided to focus exclusively on the Gelatin production and exit the tea business entirely in 2000. Sterling Tea and Industries Limited in March 2001 changed its name to Sterling Biotech Limited.

In April 2004, the Company acquired the Gelatin division of Rallis India Limited at Ooty in Tamil Nadu, with a production capacity of 2,200 mtpa. In March 2006, the Company acquired a fermentation based manufacturing facility from Torrent Gujarat Biotech Limited based in Masar and modified the facility to produce the fermentation based fast growing nutraceuticals product CoQ10. Since its entry into the Gelatin industry, the Company has consolidated its position as major producer of pharmaceutical Gelatin by investing in capacity and quality standards and enhancing its market share. The Company had a Gelatin manufacturing capacity aggregating to 22,500 mtpa as of December 2010, and was one of the top 5 Gelatin producers in the world. The 9,000 MTPA, Gelatin expansion facility currently under construction at the Sterling SEZ, Jambusar will further augment the Company's aggregate Gelatin manufacturing capacity to 31,500 mtpa.

As a by-product of the Gelatin manufacturing process, the Company also produces DCP, which is used as poultry-feed, medicine and raw material in fertilizer industry in India. DCP finds further applications in products such as talcum powder and toothpaste.

The Company also produces CoQ10, a fat soluble vitamin substance produced naturally in the human body. As a dietary supplement, CoQ10 finds application in the treatment of all heart-related ailments, thyroid, Alzheimer's disease, Parkinson's disease, AIDS, cancer, dental and skin diseases and many more under research. As of 30 June 2010, the Company has a Gelatin manufacturing capacity aggregating to 22,500 mtpa and is one of the top 5 Gelatin producers in the world.

The Company's Gelatin & DCP production capacities aggregate to 22,500 mtpa and 63,900 mtpa respectively. CoQ10 operations started in mid financial year 2007. The Company has increased its Gelatin manufacturing capacity from 16,400 tonnes in December 2006 to 22,500 tonnes by August 2009. Consequently, there is increase in production of Gelatin and DCP. The Company has also increased the production of CoQ10 capacity by increasing two fermentors during 2009.

Registered Office

The Company's registered office is situated at 43, Atlanta, Nariman Point, Mumbai – 400 021

Subsidiaries of the Company

The Company has no subsidiaries.

Group Undertakings

The Company does not belong to any group of undertakings.

Main Objects of the Company

1. *To carry on the business as manufacturers, researchers, developers, creators, buyers, sellers, importers, exporters, refiners, dealers, agents, wholesalers, retailers and distributors of all kinds of biotechnology products and all products developed or to be developed in the future using biotechnology and other related and non-related technologies including technologies that may be developed in the future, proprietary medicines, pharmaceuticals, health foods and foods of all kinds, all kinds and forms of organic and inorganic chemicals including Gelatine of all kinds and forms, including its amalgams, derivatives and by products, pesticides, acids, alkalies, natural and synthetic waxes, dyes, paints, pigments, oils, varnishes and resins, to carry on the business of manufacturing bioinformatics diagnostic tools, all medical engineering equipments along with software developments and tools relating to genome, genomic, genotype, genetic or any areas relating to genetic engineering and to patent all original research, procedures, methods, products and by-products, technologies and software developed by the Company.*
- 1A. *To export and promote exports of commodities, crops, minerals, raw materials, semi and manufactured products, goods and ware, plant, machinery, tools and equipment, fabrics made from natural or artificial fibres or a blend of natural and artificial fibres, garments, apparel, foods and beverages, canned provisions, raw cotton and cotton manufactures, raw jute and jute manufactures, raw wool and wool manufactures, raw silk and silk manufactures, textile made out of natural and artificial fibres, handloom textiles, cottage industries, ware, cotton waste, tea, mineral and ores, ferrous and non-ferrous metals, metal manufactures, coffee, tobacco and tobacco manufactures, spices, shoes and leather ware, timber, automobiles and trucks, diesel engine, pumps, agricultural implements, electric motors, transformers, switchgears and accessories, building, hardwares, furniture, electrical appliances, paper and paper products, machinery and machinery tools, dyes, chemicals, colours, paints, varnishes, books and stationery items, glassware, pottery, tableware, scientific instruments, bicycles, auto scooters, automobile and truck spare parts, synthetic products, rubber manufactures, tyres, cords, tubes, typewriters, refrigerators, office steel furniture, equipment and appliances and other articles, products, materials and substances to all parts of the world, particularly non-traditional commodities to non-traditional destinations.*
2. *To import all types of commodities, crops, minerals, raw materials, semi and manufactured products, goods and ware, plant, machinery, tools and equipment, all types of fabrics made from natural and artificial fibres or a blend of natural and artificial fibres, garments, apparel, feeding stuffs, foods and beverages, canned provisions and to carry on any trading.*
3. *To act as financial consultants, management consultants and provide advice, services, consultancy in various fields, general administrative, secretarial, commercial, financial, legal, economic, labour, industrial public relations, scientific, technical, direct and indirect taxation and other levies, statistical, accountancy, quality control and data processing.*

Board of Directors

The Directors on the Board of the Company are as follows:

Sl. No.	Name of the Director	Designation	Director Identification Number	Residence Address	No. of Shares held as on 30 June 2011	% of shares held
1.	Shri Nitin J. Sandesara	Chairman & Managing Director	00255496	329, Jawahar Nagar, Goregaon (W), Mumbai-400 062	1,052,000	0.39
2.	Shri Chetan J. Sandesara	Joint Managing Director	00255671	329, Jawahar Nagar, Goregaon (W), Mumbai-400 062	5,200,000	1.94
3.	Shri Rajbhushan O. Dixit	Director/Non - Executive	00025484	204/12, Jawahar Nagar, Goregaon (w), Mumbai 400 062	Nil	Nil
4.	Shri Marinara B. Patel	Director/Non - Executive	01624527	58, Pundit Nagar, Old Padra Road, Baroda 390 005	Nil	Nil
5.	Shri Vilas D. Joshi	Director/Non - Executive	00507833	Annapurna, Jaiprakash Nagar, Goregaon (W), Mumbai 400 063	Nil	Nil
6.	Shri P. B. Mehta	Director/Non - Executive	01392227	Pritam Nagar, 1st Slope, Ellis Bridge, Ahmedabad – 380 006	Nil	Nil

Brief profile of the Directors

Mr. Nitin Sandesara – Promoter, Chairman and Managing Director

Mr. Nitin Sandesara, aged 51 years, is a qualified Chartered Accountant and Commerce Graduate from Mumbai University. Mr. Sandesara is a first generation entrepreneur with over 28 years of experience in implementing and managing several businesses. He has played a major role by diversifying in several businesses successfully such as tea, Gelatin, engineering, oil and gas, special economic zones, infrastructure and ports. He is responsible for the Company's strategy and business development. His other key directorships are with Sterling International Enterprises Limited, Sterling SEZ and Infrastructure Limited, Sterling Port Limited and PMT Machines Ltd.

Mr. Chetan Sandesara – Promoter, Joint Managing Director

Mr. Chetan Sandesara, aged 49 years is a Commerce Graduate from Mumbai University. He has over 26 years of industry experience in different industries and including the setting up of green field ventures He is responsible for the Company's project implementation, development of teams for its projects and day-to-day management of the company. His other directorships are with Sterling International Enterprises Limited, Sterling SEZ and Infrastructure Limited, Sterling Port Limited and PMT Machines Ltd. Chetan J. Sandesara appointed as Joint Managing Director wef 15 July 2008.

Mr. R. B. Dixit – Independent / Non Executive Director

Mr. R.B. Dixit, aged 50 years, is a Commerce Graduate from Mumbai University. He has over 25 years of professional experience in the field of finance, legal and taxation matters. He has been associated with the

Company's business since 1995. His other key directorships are with Sterling International Enterprises Ltd. and PMT Machines Ltd.

Mr. Narenda B. Patel – Independent / Non Executive Director

Mr. Narendra B. Patel, aged 75 years, has over four decades of business and industrial experience. He has successfully commissioned several civil projects and is one of the leading contractors in the state of Gujarat. He is also Director of Sterling Port Limited.

Mr. Vilas D. Joshi – Independent / Non Executive Director

Mr. Vilas D. Joshi, aged 58 years, is a law graduate from Mumbai University. He is having over 30 years' practice experience as an advocate and solicitor, specialised in the field of corporate law and constitutional matters.

Mr. P. B. Mehta – Independent / Non Executive Director

Mr. P. B. Mehta, aged 74 years, has a Masters Degree in Arts from Ahmedabad University. He has provided over four decades of consultancy services to various engineering companies in relation to project development and management. He is also Director of Sterling SEZ and Infrastructure Limited.

Remuneration of Directors

For the year ended 31 December 2010, the total salary and perks paid to the Directors was INR 10.56 Million. No sitting fees were paid to any director during the year.

Benefits to the Directors

The Directors of the Company have neither been granted any benefits in kind nor have they been granted any stock options as at 30 June 2011.

Key Management Personnel

The following are the Key Management Personnel in the Company as at 30 June 2011:

Name	Qualification	Designation	Business Address	Experience	Shareholding in the company
Mr. Deepak Korpai	B.E	President & CEO – Operations Overall Head of Gelatin operations	Karakhadi Palnt , Vadodara	26 years	Nil
Mr. Kirtidev J Khatri	Company Secretary	Company Secretary Secretarial, Legal	43, Atlanta nariman Point Mumbai 400 021	25 years	Nil
Mr. J. J. Sharma	B.E., MBA	General Manager – Marketing Sales and Marketing	Sandesara Estate Vadodara	20 years	Nil
Mr. C. Manokaran	B.Sc. Chemistry	General Manager Managing works at Ooty facility	Ooty plant at Ooty	31 years	Nil
Mr. Satish Shah	B. Chem. (UDCT)	Head, Masar Plant Masar Plant	Masar plant at Masar, Vadodara	31 years	Nil
Dr. Vinay	Msc. Phd	General Manager,	Masar plant at	26 years	Nil

Aroskar		Research & Development Masar Plant	Masar, Vadodara		
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Remuneration payable to the Key Management Personnel

The annual Remuneration payable to the Key Management personnel Rs. 20.14 million.

Benefits to the Key Management Personnel

The Key Management Personnel of the Company have neither been granted any benefits in kind nor have they been granted any stock options as at 30 June 2011.

Employees

The Company had a total of 865 employees on its rolls as at 31 December 2011, and the average numbers of employees over the last three financial years were as follows:

	Financial year ended 31 December 2010	Financial year ended 31 December 2009	Financial year ended 31 December 2008	
Average Number of Employees	865	805	782	

Breakdown of persons employed by main categories of activity:

	Masar	Karkhadi	Ooty	Total
Manufacturing	93	104	42	239
engineering Support	61	86	44	191
Quality testing and Research	31	27	24	82
Marketing	7	5	3	15
Management	21	35	11	67
Semiskilled/unskilled/others	78	50	143	271
	291	301	267	865

Karkhadi includes Corporate Office, HO and other locations

The Company has had no other strikes or labour disputes since its inception.

The Company's employees do not belong to any trade union.

The Company has not formulated any scheme for involving the staff in the capital of the Company at present.

Employees' Post-Retirement Benefits

Employees' Provident Fund:

The provisions of the EPF Act are intended for the better future of covered workers on their retirement and also for their dependents in the event of a workers death in the course of employment. As per section 6 of the EPF Act, the employer shall pay a total contribution, which shall be equal to 12% of basic wages (as defined under the EPF Act) to the Employee's Provident Fund.

The provisions of EPF Act are applicable to the Company and between October 2009 and September 2010 the Company paid a total of approximately Rs. 20.96 Million in EPF Contributions, inclusive of employer share, employee's share, administration charge, inspection charge, etc.

Employees State Insurance

The purpose of the ESI Act is to provide for certain benefits to employees in case of sickness, maternity and employment injury. The ESI Act is applicable to any employee earning a wage of Rs. 0.015 Million and below. The Employer shall pay both the employer's contribution and the employee's contribution. The Employer shall be entitled to recover from the employee, the employee's contribution by deduction from the employee's wages at the rate of 1.75% of the monthly wages paid to the employee. The Employer shall make his contribution of 4.75% of the monthly wages payable to the employee.

The Company has been registered under the ESI Act (Employer Code no. 5680004 34) and between October 2009 and September 2010 the Company paid approximately Rs. 1.20 Million in ESI contributions, in respect of Ooty Unit and in respect of Masar & Karakhadi, Company has Workmens Compensation Policies

Payment of Gratuity

The Company's liability to pay gratuity arises on superannuation / retirement / resignation / death / disablement of an employee who has rendered five (5) years of continuous service. The Company does not have a gratuity scheme. However, payments are made by the Company to the employee upon the termination or resignation of employment.

Loans and Advances

The Company has been sanctioned Term Loans for a total sum of Rs. 11,550 million from various banks and financial institutions such as Allahabad Bank, Andhra Bank, Syndicate Bank, Life Insurance Corporation of India, Indian Overseas Bank, Life Insurance Corporation of India, Federal Bank, IDBI Bank (I), State Bank of Mysore, State Bank of Patiala, State Bank of Hyderabad, United Bank of India, State Bank of Indore, Bank of India, Laxmi Vilas Bank, IDBI Bank (II). The amount outstanding as on 30 June with respect to the said term loans is million.

The Company has also been provided with working capital facilities from a consortium of lenders totaling Rs. 10,150 million (Rs. 8,050 million fund based and Rs. 2,100 million non-fund based). The total outstanding under these working capital facilities was Rs. million as at 30 June 2011.

Litigation

The Company is not involved in any litigation.

Significant Properties

The Company has freehold ownership of four main areas of property. The primary details of these are as follows:

1. Karakhadi – 205,772 square meters (composed of 37 revenue blocks);
2. Masar – 161,883 square meters (composed of 3 revenue blocks);

3. Kanjat – 132,843 square meters (composed of 9 revenue blocks); and
4. Ootacamund – 52,235 square meters (composed of 2 revenue blocks).

In addition the Company has entered into a Lease Deed with Sterling SEZ and Infrastructure Ltd. on 26 March 2010 for 436045 Sq. Mtr. Land (107.71 Acre) at Lease Premium of Rs. 646,268,062/- at Sterling SEZ, Village Valopor & Sarod, Tal. Jambusar, Dist. Bharuch, Gujarat for putting up Gelatin Plant with capacity of 9000 MTPA.

Insurances

The Company has a total sum of approx. INR 5,000 Million insured under various insurance policies.

The Company has also taken out a “Corporate Guard – Directors & Officers Liability Insurance” from Tata AIG General Insurance Company Ltd (policy number: 2302001343). This policy has a Rs. 500,000,000 limit of liability for which the Company has paid a total premium of Rs. 1,461,475.

Public Takeovers and Exchange Offers

During the financial year ended 31 December 2010 and during the current financial year, no public takeover or exchange offers by third parties have been made in respect of the Company’s shares.

Further, during the financial year ended 31 December 2010 and during the current financial year, no public exchange offers have been made by the Company in respect of the shares of other companies.

Details of the Interruptions in the Business of the Company

There has been no interruption in the business of the Company, which may have any significant effect on the Company’s financial position.

Investment Policy

The Company has no specific investment policy except as laid down in accounting policies.

Listing on the Indian stock exchanges

The shares of the Company are listed on the Bombay Stock Exchange and the National Stock Exchange of India Limited.

IPR/Regulatory Filings

The Company has registered the following intellectual property rights:

Sr. No.	Trade Mark/Design/Logo/Copyright	Trade mark no/Registration no./Application No.	Class	Date of Registration
1.	Trademark – Photographic Gelatin	1220269	1	5 August 2003
2.	Trademark – Gelatin extracted from animal bones, fish, skins and used in jellies, jams	1220270	29	5 August 2003
3.	Trademark – Photographic Gelatin	1220271	1	5 August 2003

4.	Trademark – Pharmaceutical Gelatin	1220272	5	5 August 2003
5.	Trademark – Gelatin extracted from animal bones, fish, skins and used in jellies, jams	1220274	29	5 August 2003

The Company has not applied for the registration of any other intellectual property rights.

BUSINESS OF THE COMPANY

Sterling Biotech Limited is the largest manufacturer of Gelatin in India and fourth largest producer of Gelatin globally. The key products of the Company are Gelatin, Coenzyme Q10 and Dicalcium Phosphate (DCP). DCP is a by-product of the Gelatin manufacturing process and is sold domestically as poultry feed and fertilizer raw material.

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In 2008, based on the end user market segment, the global pharma Gelatin market was estimated at 78,000 MTPA with growth of 5.3% over previous year and CAGR growth of 6% over past five years. In 2008, the demand is more than supply and demand supply gap is about 15,000 MTPA of global pharma Gelatin, which is further expected to widen.

The Company is already marketing its products across the globe and has been enjoying a diversified customer base across the continents. Its top five customers and ten customers account for approximately 45% and 60% of sales respectively and no single player constitutes more than 20% of sales. The Company is accredited vendor to 64 customers, which include some of the leading global pharmaceutical and nutraceutical manufacturers.

Key Products

Sterling Biotech is a major producer of nutraceutical, biopharmaceutical & pharmaceutical Gelatin, which has a wide range of applications such as capsules, tables, health supplements, surgical aids, suppositories as a blood plasma expander and in treatment of arthritis, bleeding disorders and cartilage related diseases. It is amongst the top five Gelatin producers in the world with a 6.6% market share. It is one of the largest producers of pharma Gelatin in Asia. Since its entry into the Gelatin industry, SBL has consolidated its position as a major producer of pharmaceutical Gelatin by investing in capacity and quality standards and enhancing its market share.

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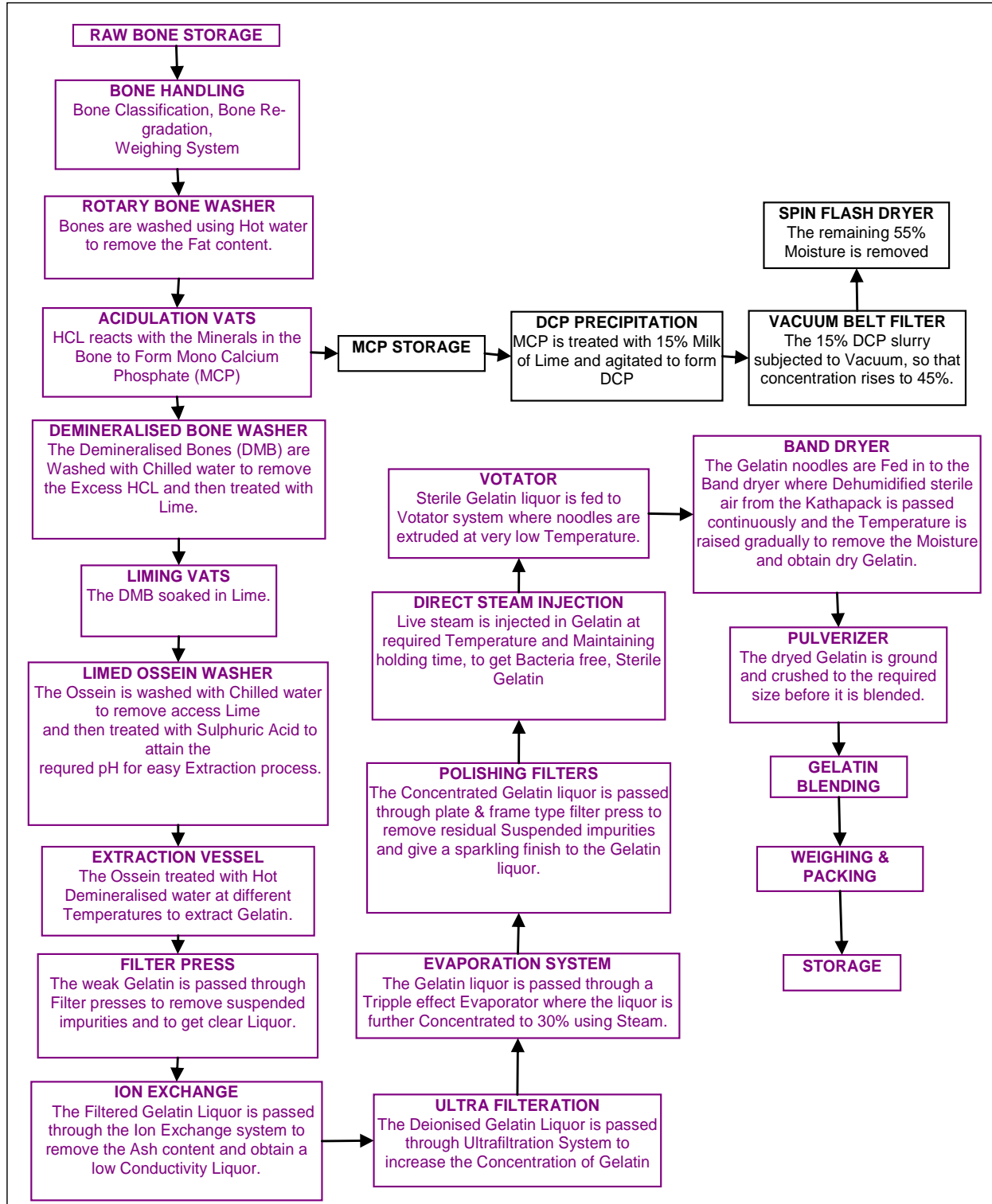
Dicalcium Phosphate (DCP) is by-product of the Gelatin manufacturing process. It is used as poultry-feed and medicine and raw material in fertilizer industry in India. DCP finds further applications in products such as talcum powder, fertilizers and toothpaste.

Coenzyme Q10 (CoQ10) is a fat soluble vitamin substance which is produced naturally in the human body. It serves as a coenzyme for several of the key enzymatic steps in the production of energy and has antioxidant effects. As a dietary supplement, CoQ10 has been proved to be effective in improving memory, boosting immunity and energy as well as enhancing exercise performance. It finds application in the

treatment of all heart-related ailments, thyroid, Alzheimer's disease, Parkinson's disease, AIDS, cancer, dental and skin diseases and many more under research.

The process flow of the entire manufacturing process is shown below:

Figure 0-1 Flow diagram of Gelatin manufacturing process



Audited Past Financial Performance

The Company is a profit earning, dividend paying company. The Audited key financial performance indicators of the Company for the last 3 years ended December 31 are given below:

Table – Audited Financial Performance of the Company:

(Rs. in Million)

For FY ended Dec 31	2008	2009	2010
Net Revenue	11,783.8	14,381.7	16165.8
EBITDA	5,113.3	5,143.8	7077.2
EBITDA/Revenues (%)	43.4%	35.8%	43.77
Interest & Financing Charges	592.1	1,494.4	2304.7
Depreciation	1,071.5	1,230.4	1976.2
PBT	3,336.5	3,039.5	2165.2
PAT	2,201.7	2,353.3	1453.2
PAT/Revenues (%)	18.7%	16.4%	8.9%
Share Capital	243.8	250.2	267.8
Reserves & Surplus	17,035.9	20,453.1	24,441.5
Secured Loan	3,488.4	12,892.5	20,062.7
Fixed Assets (Net block+CWIP)	30,707.9	34004.6	41,076.6
Total Debt	26,695.3	30908.7	37,438.4

Customer base

The Company is already marketing its products across the globe and has been enjoying a diversified customer base across the continents. Its top five customers and ten customers account for approximately 45% and 60% of sales respectively and no single player constitutes more than 20% of sales. The Company is accredited vendor to 67 customers, which include some of the leading global pharmaceutical and nutraceuticals manufacturers. Thus, the customers are spread over different countries as well as different market segments (mainly the nutraceuticals and pharmaceuticals). This would ensure smooth marketing without any stock piling of the finished goods.

Company's products have certification from Kosher, Ifanka (Halal), HACCP, ISO 9001, ISO 14001 and European Directorate for Quality of Medicine (EDQM). It is one of only seven companies globally to have EDQM certification and has product quality which confirms with US, Japanese, U.K. and European Pharmacopoeia.

PERFORMANCE OF THE COMPANY

Financial and Operational Performance

Net sales of the company for the year ended 31 December 2010 was Rs. 16,165.78 Million. The total income of the Company have increased from Rs. 6,108.98 Million in 2006 to Rs. 16,272.16 Million in 2010, representing a CAGR of 27.75 % and the Company's net income has grown from Rs. 1,347.98 Million in 2006 to Rs 1,453.20 Million in 2010 representing a CAGR of 2.90%. The PBDIT margins over this period have been 43.49 % in 2010, 35.55 % in 2009 and 43.03% in 2008. The net profit margins over this period have been 8.93% in 2010, 16.26% in 2009 and 18.53% in 2008.

Year to Year Profitability

The following table sets forth the Company's performance including net profits and earnings per share for the last Three years:

Year	(INR Million)		
	1st Jan 2010 to 31st Dec 2010 (Audited)	1st Jan 2009 to 31st Dec 2009 (Audited)	1st Jan 2008 to 31st Dec 2008 (Audited)
Turnover	16,272.16	14,470.37	11,884.13
PBITDA	7077.19	5,143.79	5,113.35
Depreciation	1976.21	1,230.42	1,071.52
PBIT	5100.98	3,913.37	4,041.83
Interest	2304.71	1,494.38	592.07
Extra-Ordinary Items	631.05	-620.51	113.26
Taxation	712.00	686.25	1,134.75
PAT	1453.22	2,353.26	2,201.75
No. of Shares	267.87	250.20	243.80
EPS (Rs.)	5.69	9.47	9.38

Changes to the Company's FCCBs during 2010

A. FCCB 2005-2010

The Company has issued US\$ 175 million in Foreign Currency Convertible Bonds. These Bonds are convertible into the Ordinary Shares of the Company. The Bonds carry a 0.50% coupon payable annually with an YTM of 6.45% and are redeemable after 5 years and 1 day from closing date September 29, 2005. The Bonds are convertible into equity shares of the Company at any time after November 09, 2005 at a conversion price of Rs. 152.78 per share.

During the year 2007, 2008 and 2009 and 2010, the company has converted FCCBs of US\$ 24.85 million, US\$ 41.63 million, US\$ 7.35 million and US \$ 61.63 million into equity share of the company, respectively. The company have also bought back FCCBs of US\$ 7.50 million and US \$ 13.725 million in 2009 and 2010 respectively .

As at 31 December 2009, the Company's outstanding FCCBs had a nominal value of US\$ 93.670 Million. During the nine months ended 30 September 2010, the following changes to the Company's FCCBs took place:

FCCBs with a nominal value of US\$ 13.725 Million were bought back by the Company;

FCCBs with a nominal value of US\$ 61.630 Million were converted into GDRs (17,677,026 equity shares with a face value of Rs. 1.00 each equivalent to 2,946,171 GDRs), as per the terms of conversion; and

FCCBs with a nominal value of US\$ 18.3125 Million were redeemed on maturity.

As a result, as at 30 June 2011 , the equity capital of the Company stood at 267.874 Million shares with a face value of Rs. 1.00 each aggregating to a total of Rs. 267.874 Million.

B. FCCB 2007-2012

The Company has issued Zero Percentage Foreign Currency Convertible Bonds due 2012 aggregating to US\$250 million. The Bonds carry a 0% coupon with a yield to maturity of 6.35% per annum and are redeemable in 2012 i.e. after 5 years and 1 day from closing date. The Bonds are convertible into equity shares of the Company at any time after 18 June 2007 at a conversion price of Rs. 163.13 per share. The Bonds are convertible into the Ordinary Shares or GDR's of the Company.

During the year 2008 and 2009, the Company has converted FCCBs of US\$ 11.6 million and US\$ 20.90 million into equity share of the company, respectively. The company have also bought back FCCBs of US\$ 83.0 million in 2009. As at 31 December 2009, the Company's outstanding FCCBs had a nominal value of US\$ 134.50 Million.

As a result, on 30 June 2011, the equity capital of the Company stood at 267.874 Million shares with a face value of Rs. 1.00 each aggregating to a total of Rs. 267.874 Million.

CAPITALISATION OF THE COMPANY

The following table sets out the non-consolidated capitalisation of the Company based on the unaudited non-consolidated financial statements of the Company as at 30 June 2011 as adjusted to give effect to the issue by the Company of the Shares. There has been no material change in the capitalisation of the Company since 31 December 2010.

(Amount in Million)

	As at 30 June 2011			
	Actual (un audited)		As adjusted Post GDR)	
	INR	USD	INR	USD
Conversion rate =\$1=Rs. 44.52				
Short-term debt	3,500.00	78.62	3,500.00	78.62
Long-term debt	27,911.44	626.94	27,911.44	626.94
Total borrowings	31,411.44	705.55	31,411.44	705.55
Equity Shares Capital outstanding	267.87	6.02	267.87	6.02
Convertible Bonds	6026.95	135.38	6026.95	135.38
Fund through GDR	-	-	11,230.00	250.00
Reserves and surplus	24,441.52	549.00	24,441.52	549.00
Total shareholders equity	24,709.40	555.02	35,671.52	801.25
Total Capitalisation	62,147.79	1395.95	73,109.91	1395.95

THE SHARES

Share Capital

The authorized share capital of Company is Rs. 500,000,000 divided into 500,000,000 equity shares of Rs. 1 (Rupee One) each.

The issued, subscribed, called up and paid up share capital of the Company is Rs. 267,873,590 divided into 267,873,590 equity shares of Rs. 1 (Rupee One) each.

The Company has also issued 3,724,000 equity shares of Rs. . 1 (Rupee One) each that have been forfeited The equivalent no of Shares of Face value of Rs. 10 was 372,400

Capital History - Equity Shares

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Reasons for Allotment/ Reduction	Cumulative Paid-up Capital (Rs.)
23 March 1985	70	10	Subscribers to Memorandum	700
28 February 1986	999930	10	Promoter	10,000,000
03 August 1991	1000000	10	IPO	20,000,000
08 June 1995	3876000	10	Rights	58,760,000
09 June 1995	8706050	10	FPO	145,820,500
08 November 1995	123790	10	Over Allotment	147,058,400
13 August 1999	-372400	10	Forfeited	143,334,400
19 January 2002	71,667,200	2	Face Value Split from Rs. 10 to Rs. 2	143,334,400
01 October 2003	13968270	2	Underlying Shares issued for GDRs	171,270,940
08 February 2005	279557	2	Conversion of FCCBs	171,830,054
26 March 2005	171,830,054	1	Face Value Split from Rs. 2 to Rs. 1	171,830,054
09 April 2005	3944036	1	Conversion of FCCBs	175,774,090
19 April 2005	2252282	1	Conversion of FCCBs	178,026,372
30 June 2005	1120544	1	Conversion of FCCBs	179,146,916
21 July 2005	560144	1	Conversion of FCCBs	179,707,060
29 July 2005	2799433	1	Conversion of FCCBs	182,506,493
02 August 2005	5139319	1	Conversion of FCCBs	187,645,812
05 August 2005	48698	1	Conversion of FCCBs	187,694,510
11 August 2005	3920108	1	Conversion of FCCBs	191,614,618
19 August 2005	1681204	1	Conversion of FCCBs	193,295,822
30 August 2005	5625884	1	Conversion of FCCBs	198,921,706
02 September 2005	567605	1	Conversion of FCCBs	199,489,311
06 September 2005	525015	1	Conversion of FCCBs	200,014,326
04 October 2005	9029573	1	Conversion of FCCBs	209,043,899
06 October 2005	1710150	1	Conversion of FCCBs	210,754,049
20 October 2005	10494789	1	Conversion of FCCBs	221,248,838
12 October 2006	1099111	1	Conversion of FCCBs	222,347,949
03 January 2007	1233347	1	Conversion of FCCBs	223,581,296
20 January 2007	1147301	1	Conversion of FCCBs	224,728,597
05 February 2007	717063	1	Conversion of FCCBs	225,445,660
27 February 2007	458920	1	Conversion of FCCBs	225,904,580
12 July 2007	722799	1	Conversion of FCCBs	226,627,379
08 August 2007	2274521	1	Conversion of FCCBs	228,901,900
06 November 2007	286824	1	Conversion of FCCBs	229,188,724

19 December 2007	286824	1	Conversion of FCCBs	229,475,548
15 April 2008	143412	1	Conversion of FCCBs	229,618,960
24 May 2008	3011664	1	Conversion of FCCBs	232,630,624
25 June 2008	1,391,099	1	Conversion of FCCBs	234,021,723
14 July 2008	1,147,301	1	Conversion of FCCBs	235,169,024
23 August 2008	4,589,202	1	Conversion of FCCBs	239,758,226
24 October 2008	1,086,906	1	Conversion of FCCBs	240,845,132
10 December 2008	1,068,790	1	Conversion of FCCBs	241,913,922
15 December 2008	200,777	1	Conversion of FCCBs	242,114,699
31 December 2008	1,682,882	1	Conversion of FCCBs	243,797,581
16 January 2009	61,590	1	Conversion of FCCBs	243,859,171
23 February 2009	615,907	1	Conversion of FCCBs	244,475,078
02 March 2009	1,067,571	1	Conversion of FCCBs	245,542,649
19 March 2009	369,544	1	Conversion of FCCBs	245,912,193
30 March 2009	2,909,443	1	Conversion of FCCBs	248,821,636
22 June 2009	410,605	1	Conversion of FCCBs	249,232,241
31 July 2009	964,323	1	Conversion of FCCBs	250,196,564
08 September 2010	2,868,252	1	Conversion of FCCBs	253,064,816
15 September 2010	9,072,282	1	Conversion of FCCBs	262,137,098
25 September 2010	5,736,492	1	Conversion of FCCBs	267,873,590

Dividends

The Company paid a dividend equivalent to 50% of the face value of each equity share in the Company for the years ended 31 December 2010, 31 December 2009 and 31 December 2008. The Company cannot undertake that any future dividends will be declared or paid. In case the Company declares any dividend in future, GDR Holders will be entitled to receive dividends payable on equity Shares represented by such GDRs. Cash dividends on Shares represented by GDRs will be paid to the Depository in Rupees and, except as otherwise described under “Terms and Conditions of the Global Depository Receipts,” will be converted by the Depository into US dollars and distributed, net of fees, taxes, duties, charges, costs, and expenses, to the GDR Holders.

Right to exercise control over the Company

Except the Promoters and the Promoter companies, there are no such persons who, directly or indirectly, severally or jointly, exercise or could exercise control over the Company.

Shareholding Pattern

The distribution schedule of equity shareholding of the Company as at 31 March 2011 was as follows:

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of(A+B) ¹	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group²					
1	Indian					
(a)	Individuals/ Hindu Undivided Family	2	6,252,000	6,252,000	2.81	2.33
(b)	Central Government/ State Government(s)	0	-	-		
(c)	Bodies Corporate	31	82,782,694	82,782,694	37.17	30.90
(d)	Financial Institutions/ Banks	0	-	-	0.00	0.00
(e)	Any Others(Specify)	0	-	-	0.00	0.00
(e-i)						
(e-ii)						
	Sub Total(A)(1)	33	89,034,694	89,034,694	39.98	33.24
2	Foreign					
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	-	-	0.00	0.00
b	Bodies Corporate	0	-	-	0.00	0.00
c	Institutions	0	-	-	0.00	0.00
d	Any Others(Specify)	0	-	-	0.00	0.00
d-i						
d-ii						
	Sub Total(A)(2)	0			0.00	0.00

			-	-		
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	33	89,034,694	89,034,694	39.98	33.24
(B)	Public shareholding					
1	Institutions					
(a)	Mutual Funds/ UTI	4	530,918	530,918	0.24	0.20
(b)	Financial Institutions / Banks	8	280,836	274,836	0.13	0.10
(c)	Central Government/ State Government(s)	0	-	-	0.00	0.00
(d)	Venture Capital Funds					
(e)	Insurance Companies	0	-	-	0.00	0.00
(f)	Foreign Institutional Investors	51	17,404,340	17,404,340	7.82	6.50
(g)	Foreign Venture Capital Investors	0	-	-	0.00	0.00
(h)	Any Other (specify)	0	-	-	0.00	0.00
(h-i)						
(h-ii)						
	Sub-Total (B)(1)	63	18,216,094	18,210,094	8.18	6.80
B 2	Non-institutions					
(a)	Bodies Corporate	546	98,081,869	97,890,749	44.04	36.61
(b)	Individuals					
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	19951	14,069,413	6,544,760	6.32	5.25
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	4	888,095	888,095	0.40	0.33
(c)	Any Other (specify)					
(c-i)	Clearing Member	87	1,476,851	1,476,851	0.66	0.55
(c-ii)	Non Resident Indians (Repatriable)	315	801,269	318,769	0.36	0.30

(c-iii)	Non Resident Indians (Non Repetriable)	64	132,110	132,110	0.06	0.05
(c-iv)	OCB	1	830	830	0.00	0.00
	Sub-Total (B)(2)	20968	115,450,437	107,252,164	51.84	43.10
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	21031	133,666,531	125,462,258	60.02	49.90
	TOTAL (A)+(B)	21064	222,701,225	214,496,952	100.00	83.14
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
	1. Promoter and Promoter Group	0	-	-	0.00	0.00
	2. Public	1	45,172,365	45,172,365		16.86
	GRAND TOTAL (A)+(B)+(C)	21065	267,873,590	259,669,317		100.00

Sr. No. Notes

1. Total Foreign Shareholding is 63,510,914 shares which represent 23.71% of Total Paid up Capital of the Company.
2. Shares held by Custodians and against which Depository Receipts have been issued are held by Non-Promoters.

List of Shareholders belonging to category “Promoter and Promoter Group” as at 31 March 2011 was as follows:

Sr. No.	Name of the shareholder	Total shares held		Shares pledged or otherwise encumbered		
		Number of shares	As a % of grand total (A)+(B)+(C)	Number	As a percentage	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)
1	Chetan Sandesara	5,200,000	1.94	978,000	18.81	0.37

2	Nitin Sandesara		0.39		18.82	
		1,052,000		198,000		0.07
3	Aditi Hospitals Pvt. Ltd.	4,752,842	1.77	893,000	18.79	0.33
4	Anula Properties Pvt. Ltd.	3,218,048	1.20	604,000	18.77	0.23
5	Blue Mark Mercantile Ltd.	5,326,890	1.99	40,000	0.75	0.01
6	Bullworth Investrade Pvt. Ltd.	4,251,458	1.59	799,000	18.79	0.30
7	Doral Trading Pvt. Ltd.	3,207,570	1.20	603,000	18.80	0.23
8	Helicopter Services Pvt. Ltd.	4,970,220	1.86	935,000	18.81	0.35
9	Jaico Textiles Pvt. Ltd.	4,823,620	1.80	4,006,000	83.05	1.50
10	Jangpriya Investments Pvt. Ltd.	2,502,000	0.93	470,340	18.80	0.18
11	Modi Capital Finance (India) Ltd.	2,817,980	1.05	529,000	18.77	0.20
12	Natasha Investment Co. Pvt. Ltd.	3,145,392	1.17	591,000	18.79	0.22
13	Paysan Publishers Pvt. Ltd.	2,374,000	0.89	446,000	18.79	0.17
14	Prabal Investrade Pvt. Ltd.	2,437,580	0.91	459,000	18.83	0.17
15	Puja Aqua Farms Pvt. Ltd.	2,928,778	1.09	550,000	18.78	0.21
16	Richmond Investment Pvt. Ltd.	2,435,058	0.91	458,000	18.81	0.17
17	Rollstar Finance & Investment Pvt. Ltd.	2,948,500	1.10	554,000	18.79	0.21
18	Sanyukta Investrade Pvt. Ltd.	2,710,000	1.01	510,000	18.82	0.19
19	Shameek Breweries Pvt. Ltd.	2,813,384	1.05	528,000	18.77	0.20
20	Unique Proteins Pvt. Ltd.	3,019,780	1.13	568,000	18.81	0.21
21	Relique Leasfin Pvt. Ltd.	1,640,458	0.61	308,000	18.78	0.11
22	Tarana Exports Pvt. Ltd.	1,646,422	0.61	310,000	18.83	0.12
23	Coyote Leasing Pvt. Ltd.	1,647,580	0.62	310,000	18.82	0.12
24	Hizin Trading Company Pvt. Ltd.	1,663,450	0.62	313,000	18.82	0.12
25	Soham Proteins Pvt. Ltd.	1,596,384	0.60	300,000	18.79	0.11
26	Ciel Port Management Pvt. Ltd.	1,567,300	0.59	295,000	18.82	0.11

27	Titanic Investment and Consultants Pvt. Ltd.	1,276,000	0.48	240,000	18.81	0.09
28	Swadeshi Finvest Pvt. Ltd.	1,538,000	0.57	1,500,000	97.53	0.56
29	Sealord Erections Pvt. Ltd.	1,870,000	0.70	351,000	18.77	0.13
30	Antariksha Capital And Finance (India) Pvt. Ltd.	1,900,000	0.71	1,700,000	89.47	0.63
31	Eminence Trading Pvt. Ltd.	1,919,000	0.72	361,000	18.81	0.13
32	Antariksha Securities Pvt. Ltd.	1,950,000	0.73	367,000	18.82	0.14
33	Marut Apparels Pvt. Ltd.	1,885,000	0.70	354,000	18.78	0.13
TOTAL		89,034,694	33.24	21,428,340	24.07	8.00

The list of “public shareholders” holding 1% or more of the Share Capital of the Company as at 31 March 2011 was as follows:

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e. Grand Total (A)+(B)+(C) indicated in Statement at para (I) (a) above}
1.	THE BANK OF NEW YORK MELLON USA	45,172,365	16.86
2.	AMIN TECHNOLOGY SERVICES PVT. LTD.	6,315,478	2.36
3.	FAITH FINSTOCK PVT. LTD.	5,427,683	2.03
4.	CITYPOINT TRADING COMPANY PVT. LTD.	5,353,297	2.00
5.	INKPOT INFRASTRUCTURE PVT. LTD.	5,207,779	1.94
6.	ALBULA INVESTMENT FUND LTD.	6,967,134	2.60
7.	FRANCISCA INVESTMENT PVT. LTD.	4,356,133	1.63
8.	Traub Automatic Pvt Ltd	4,163,384	1.55
9.	Jitlal Financial Services Pvt Ltd	3,624,942	1.35
10.	Viel nsurance services Pt Ltd.	3,398,210	1.27
11.	Elara India Opportunities Fund Ltd	3,230,831	1.21

The list of shareholders holding more than 5% and 10% of the Share Capital of the Company, as at 31 March 2011 was as follows:

1	The Bank of New York Mellon 101, Barclay Street, New York NY 10286 USA	45,172,365	16.86
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The Company has no locked-in shares as on 31 March 2011.

As per the information provided to us, the details of the Company's Depository Receipts as at 31 March 2011 were as follows:

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {Le., Grand Total (A)+(B)+(C) indicated in Statement at para (1)(8) above}
1	GDRs	7,528,728	45,172,365	16.86
TOTAL		7,528,728	45,172,365	16.86

As per the information provided to us, the details of the Company's Depository Receipts where underlying shares are in excess of 1% of the total number of shares as at 31 March 2011 were as follows:

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {ie., Grand Total (A)+(B)+(C) indicated in Statement at para (I) (a) above}
1	Bank of New York	GDRs	45,172,365	16.86
TOTAL			45,172,365	16.86

DESCRIPTION OF THE SHARES AND COMPANY PROCEDURES

General

The present offer of GDRs is made pursuant to the resolution passed at the EGM of the Company held on 30 June 2010 and the Board Resolution in this regard passed on [] 2010. Further, the Board of the Company in accordance with the resolution dated [] 2010 has approved the opening of the GDR issue, as per the revised pricing guidelines.

GDR Holders will be able to exercise their rights with respect to the Shares underlying the GDRs only in accordance with the provisions of the Deposit Agreement and the relevant requirements of applicable law. See “Terms and Conditions of the Global Depositary Receipts” on page [].

Dividend

Under the Companies Act, unless the Board recommends the payment of a dividend, the Company may not declare a dividend. Similarly, under its Articles of Association, the Shareholders may, at an AGM, approve a dividend of an amount less than that recommended by the Board. The Shareholders cannot increase the amount of dividend. The dividend recommended by the Board, if any, and subject to the limitations described above, is distributed and paid to Shareholders in proportion to the paid-up value of their shares within thirty days from the date of the declaration by the Company after the approval by the Shareholders at the AGM. Pursuant to its Articles of Association, the Board has discretion to declare and pay interim dividends without Shareholders’ approval. However, the final dividend is still required to be approved in the AGM of the company. The Company’s shares are compulsorily traded in dematerialized form and accordingly all shares including converted Shares are entitled to a full dividend in any particular year. Under the Companies Act, dividends can only be paid to the registered Shareholder at a record date (the date on which the Company looks at its records to see who the Shareholders of the Company are) fixed on or prior to the AGM in cash or to the Shareholder’s or Shareholder’s banker’s order.

The Companies Act provides that any dividends that remain unpaid or unclaimed for a period of thirty days are to be transferred to a special bank account (an unpaid dividend account) within seven days of the expiry of the thirty day period. The Company is required to transfer any dividends that remain unclaimed for seven years from the date of the transfer to the unpaid dividend account to an investor education and protection fund created by the Government. After the transfer to this fund, no claim shall lie against the fund or against the Company in respect of unclaimed and unpaid dividends.

Under the Companies Act, dividends may be paid out of the profits of the company in the year in which the dividend is declared or out of the undistributed profits of the previous fiscal years. Before declaring a dividend, the company is required under the Companies Act to transfer to its reserves a minimum percentage of its profits for that year, depending upon the dividend percentage to be declared. The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of a company’s accumulated profits, subject to the following conditions:

- The rate of dividend to be declared shall not exceed 10% of a company’s paid-up capital or the average of the rate at which dividends were declared by the company in the previous five years, whichever is less;
- The total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves shall not exceed an amount equivalent to 10% of its paid-up capital and free reserves, and the amount so drawn is to be used first to set-off the losses incurred in the fiscal year before any dividends in respect of preference or equity are declared; and
- The balance of reserves after such withdrawals shall not fall below 15% of its paid-up capital.

Any income by way of dividends distributed, declared or paid (whether interim or otherwise) by a company is subject to dividend distribution tax under the Finance Act, 2010 at a rate of 15% excluding the presently

applicable surcharge, of 1.125 and an education cess of 0.3225 and 0.16125 secondary and higher education cess resulting in an effective rate of 16.60875% of the total amount of the dividend declared, distributed or paid.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits the Board to distribute an amount transferred from the general reserve or capital redemption reserve to Shareholders in the form of fully paid-up bonus shares, which are similar to a dividend, subject to an approval from the Shareholders in a general meeting. The Company is not permitted to issue bonus shares out of reserves created by a revaluation of assets. The Companies Act also permits the issuance of bonus shares from a share premium account. Those bonus shares are distributed to Shareholders in the proportion of the number of Shares owned by them. The Shareholders registered on a fixed record date (the date on which the Company looks at its records to see who the Shareholders of the Company are) are entitled to receive such bonus shares.

Pre-emptive Rights and Issue of Additional Shares

The Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholdings, unless the shareholders decide otherwise by a special resolution. A special resolution is a resolution passed by shareholders where the number of votes cast in favor of the resolution is not less than three times the number of votes cast against the resolution. If the special resolution is not approved, the new shares must first be offered to the existing shareholders as of a fixed record date. The offer must include: (i) the right, exercisable by the registered shareholders to renounce the shares offered in favour of another person; and (ii) the number of shares offered and the period of the offer, which may not be less than fifteen days from the date of the offer. If the offer is not accepted it is deemed to have been declined. The Board is authorized under the Companies Act to distribute new shares not purchased by the holders of pre-emptive rights in the manner that it deems most beneficial to the Company.

The shareholders have waived their pre-emptive rights on the shares offered through this GDR issue.

General Meetings of Shareholders

There are two types of general meetings of shareholders: AGMs and EGMs. The Company is required to convene AGMs within six months of the end of each fiscal year and may convene an EGM meeting of Shareholders when necessary, or at the request of a Shareholder or Shareholders holding on the date of the request at least 10% of the paid-up capital of the Company. Not more than 15 months is permitted to elapse between the date of one AGM and that of the next. A general meeting of the Shareholders is generally convened by the Chairman of the Company in accordance with a resolution of the Board. Written notices setting out the agenda of the meeting must be given at least 21 days (excluding the days of mailing and receipt) prior to the date of the general meeting to the registered Shareholders).

The AGM of Shareholders is either held at the registered office of the Company or at some other place within Delhi.

Alteration of Share Capital

Under the Articles of Association, the Company may, by a special resolution of its Shareholders, increase its authorized share capital by such sum to be divided into shares of such amount as may be specified in the resolution, and except as otherwise provided by or pursuant to these Articles of Association and the resolution or by conditions of issue, any new shares shall be equity shares and shall be subject to the provisions of the Articles of Association with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise.

Under the Articles of Association, the Company may by an ordinary resolution of its shareholders:

- Consolidate and divide all or any of its share capital to shares of larger amount than its existing shares.

- Sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced shares shall be the same as its was in the case of the share from which the reduced shares is derived.
- Cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled provided however the cancellation of shares in pursuance of the exercise of this power shall not be deemed to be reduction of share capital within the meaning of the Act.

Modification of Rights

In accordance with the Companies Act, where the Company's share capital is divided into different classes, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holder of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Voting Rights

At any general meeting, voting is by show of hands unless a poll is demanded by a Shareholder or Shareholders present in person or by proxy, holding at least 10% of the total shares entitled to vote on the resolution. Upon a show of hands, each Shareholder has one vote and, on a poll, every Shareholder entitled to vote in person or by proxy has voting rights in proportion to the paid-up capital held by such Shareholder.

Ordinary resolutions are adopted at general meetings of Shareholders by a majority of the Shareholders having voting rights present in person or by proxy. However, certain resolutions, such as resolutions containing amendments to the Memorandum of Association or Articles of Association, commencement of a new line of business, issue of further Shares to persons other than existing Shareholders and reduction of Share capital, require a special resolution.

A Shareholder may exercise their voting rights by proxy to be given in the form provided in the relevant schedule to the Companies Act. The instrument appointing a proxy must be delivered to the Company at least 48 hours prior to a general meeting. A Shareholder is also entitled to nominate a representative to attend and vote (both upon a show of hands and upon poll) on its behalf at general meetings.

A GDR Holder has no voting rights or other rights of a Shareholder with respect to the Shares underlying the GDRs.

The Depository may be granted voting rights in respect of the Shares underlying the GDRs from time to time but, for the avoidance of doubt, will not exercise such rights. The Depository will not exercise any voting rights it may be granted with respect to the Shares underlying the GDRs under any circumstances. Voting rights in respect of Shares underlying the GDRs which have been withdrawn from the GDR facility and transferred on the Company's register of members to a person other than the Depository or its nominee may be exercised by the holders thereof. However, GDR Holders may not receive sufficient advance notice of Shareholder meetings to enable them to withdraw the Shares sufficiently in advance in order to be able to vote at such meetings.

The Government recently brought into force rules for listed companies regarding postal voting for certain resolutions, including, resolutions involving the alteration of the objects clause in the Memorandum of Association, buy-backs of shares, issues of shares with differential voting rights, sales of the whole or substantially the whole of the undertaking of a company, giving loans or extending guarantees in excess of certain limits specified by the rules, and the making of compromises or other arrangements with creditors and members.

Audit and Annual Report

At least 21 clear days before an AGM exclusive of the dates of mailing and the meeting, the Company must dispatch to the Shareholders a detailed version of the audited balance sheet, profit and loss account and the related reports of the Board and the auditors, together with notice convening the AGM. Such documents are then presented at the AGM for adoption.

Under the Companies Act, the Company must file the balance sheet and profit and loss account presented to the Shareholders within 30 days of the conclusion of the AGM with the RoC Delhi, India. The Company must also file an annual return, which includes a list of the Shareholders, within 60 days of the conclusion of the AGM. Copies of the annual reports are also required to be sent to the Indian Stock Exchanges.

Under the listing agreement (an agreement or undertaking entered into with a stock exchange for listing of the securities of a company in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, Companies Act, 1956, Guidelines issued by SEBI and Rules, Bye-laws and Regulations of the Exchange), the Company must furnish to the Indian Stock Exchanges, unaudited financial results on a quarterly basis within 1 month from the end of the relevant quarter, duly approved by the Board. However, in respect of the half yearly results, if the Company intimates in advance to the Indian Stock Exchanges that it will publish audited half yearly financial results within 2 months of the close of the half year, then in such case, unaudited results and a limited review need not be published or given to the Indian Stock Exchanges. The Company must also publish its financial results in at least one English language daily newspaper with a circulation covering the whole or substantially the whole of India and in at least one regional newspaper.

Register of Members, Record Dates and Transfer of Shares

The Company maintains a register of members (the “Register of Members”) at its registered office. For the purpose of determining the Shareholders entitled to annual dividends, the Register of Members is closed for a specified period prior to an AGM. The date on which this period begins is the record date.

The Companies Act requires the Company to give at least seven days' prior notice to the public by way of a newspaper advertisement before such closure. The Company may not close the Register of Members for more than 30 consecutive days, and in no event for more than 45 days in a year. The trading of equity Shares, may however continue while the Register of Members is closed.

Following the enactment of the Depositories Act and the repeal of section 22A of the Securities Contracts Act, which enabled companies to refuse to register transfers of shares in some circumstances, the shares of public companies are freely transferable, subject only to the provisions of section 111A of the Companies Act. In accordance with the provisions of section 111A (2) of the Companies Act, the Directors may exercise discretion to refuse to register transfers of Shares if they have sufficient cause to do so. If the Directors refuse to register a transfer of Shares, the Shareholder wishing to transfer then Shares may file an appeal with the Company Law Board (“CLB”). Pursuant to Section 111A (3), if a transfer of shares contravenes any of the provisions of the SEBI Act or the regulations issued thereunder or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other Indian laws, the CLB may, on an application made by a company, a depository incorporated in India, a participant, an investor, or the Securities and Exchange Board of India, direct the rectification of the register of members. The CLB may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. While an application with the CLB is pending, the rights of a shareholder to transfer the relevant shares are not suspended unless CLB issues an order to that effect.

Acquisition by the Company of its own Shares

Under the Companies Act, approval of at least 75% of the Shareholders voting on the matter and confirmation from the High Court of Delhi, being the State in which the registered office of the Company is situated is required to reduce the Company's share capital. The Company may, under some circumstances, acquire its own equity Shares without seeking the confirmation of the High Court. However, the Company would have to cancel the Shares it has so acquired within the prescribed time period. Generally, the Company is not permitted to acquire its own Shares for treasury operations. An acquisition by a listed company of its own shares (without having to obtain the confirmation of the High Court) must comply with

prescribed rules, regulations and conditions as laid down in the Companies Act and the SEBI (Buy-back of Securities) Regulations, 1998.

Disclosure of Ownership Interest

Section 187C of the Companies Act requires beneficial owners of Shares, who are not registered in the Register of Members, to declare to the Company details of the registered owner and also requires the registered owner to declare details of the beneficial owner. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any equity Share by its registered owner, or any hypothecation by the registered owner of any equity Share, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C of the Companies Act will not affect the Company's obligation to register a transfer of Shares or to pay any dividends to the registered owner of any Shares pursuant to which the declaration has not been made. While it is unclear under Indian law whether Section 187C of the Companies Act applies to GDR Holders, in the absence of any specific exemption from the Department of Company Affairs, the reporting requirements under Section 187C of the Companies Act could be enforced against GDR Holders. It is clear, however, that GDR Holders who exchange GDRs for the underlying equity Shares will be subject to the requirements of Section 187C. Any GDR Holder who fails to comply with these requirements may be liable to a fine of up to Rs.1, 000 for each day such failure continues. Additionally, if the Company fails to comply with the provisions of Section 187C, then the Company, and every one of its officers, may also be liable to a fine of up to Rs.100 for each day the default continues. Additionally, GDR Holders may be required to comply with the notification and disclosure obligations pursuant to the provisions of the Deposit Agreement.

Liquidation Rights

Subject to the rights of creditors, employees and the holders of any Shares entitled by their terms to preferential repayment, if any, in the event of the Company's winding-up, the holders of the Shares are entitled to be repaid the amounts of paid-up capital or credited as paid-up on their Shares. All surplus assets remaining after payments are made to holders of any preference Shares belong to holders of the Shares in proportion to the amount paid-up or credited as paid-up on such Shares at the commencement of the winding-up.

EXTRACTS OF THE MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Shares

5. The shares shall be under the control of the Board which subject to provisions of the Act may classify, allot or otherwise dispose of the same to such persons on such terms and conditions and either at a premium or at par or at a discount and at such time as the Board thinks fit and with full power to call for the allotment of any share either at par or at a premium or at a discount and for such time and for such considerations as the Directors may think fit, provided that no option or right to call of shares shall be given to any person except with the sanction of the Company in general meeting.

5A. Powers of the Company to purchase its own Securities;

"Notwithstanding any thing contained in this Companies Act, 1956, but subject to the provisions of Sub-Section (2) of Section 77B, the Company may purchase its own Shares or other specified Securities (hereinafter referred to as "buy back") out of:

- (i) its free Reserves; or
- (ii) the Securities premium account; or
- (iii) the proceeds of any shares or other specified securities;

Provided that no buy back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.

Share Certificates

10. The certificates or title to the shares shall be issued under the seal of Company in the manner prescribed in that behalf under the rules framed under the Act.

11. Every member shall be entitled to one certificate for the shares registered in his name or if the Board so approves, upon paying such fees as the Board from time to time determines to several certificates, for more of such shares.

12. The certificate of shares registered in the name of two or more persons may be delivered to anyone of several joint holders named in the register and this shall from a sufficient delivery to all such holders. The Company shall not be bound to register more than four persons as the joint holders of any share.

13. If any certificate is worn out or defaced, then upon production thereof to the Board it may order the same to be cancelled and may issue a new certificate in lieu thereof and if any certificate be lost or destroyed then upon proof to the satisfaction of the Board and on such indemnity as the Board deems adequate being given, a new certificate in lieu thereof will be given to the party entitled to such lost or destroyed certificate. The Company shall also be paid all out of pocket expenses incurred in investigating evidence of loss.

Lien on Shares

28. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys. (Whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that Article 7 hereof will have full effect.

Unless otherwise agreed the registration of a transfer shall operate as a waiver of the Company's lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

29. No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums, presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

30. The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien.

Provided that no sale shall be made:

(a) Unless a sum in respect of which the lien exists is partly payable:

or

(b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the shares or the person entitled thereto by reason of his death or insolvency.

31. The net proceeds of any such sale shall be applied in or towards satisfaction of the debts, liabilities or engagements of such member, his executors, administrators or representative and the shares before the sale, be paid to the persons entitled to the shares at the sale.

32. Upon any sale after forfeiture or for enforcing lien in purported exercise of the powers herein before given the Directors may cause the purchaser's name to be entered in the register of members in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money and after his name has been entered in the register in respect of such shares invalidity of the sale shall not be impeached by any persons and the remedy of any person aggrieved by the sale shall be in damages only.

Alteration in Capital

48. The Company in General Meeting may –

(a) Increase its authorized share capital by such amount as it thinks expedient by creating new shares.

(b) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.

(c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of the shares so cancelled.

(d) Subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association subject to the provision of Section 94(1) (d) of the Act.

(e) Reduce its capital in any manner authorized by Section 100 of the Act.

The powers conferred by this Article may be exercised by an ordinary resolution, except in the case of reduction of capital when the exercise of the power in that behalf shall be by special resolution. The Company shall give due notice to the Registrar of any such alteration in capital.

Borrowing Powers

96. (1) The Board may from time to time at its discretion, subject to the provisions of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes of the Company.
- (2) The Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds perpetual or redeemable debenture or debenture stock or any mortgage, charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.
97. If any uncalled capital of the Company is included in or charged by the mortgage or other security, the Board may, by an instrument under the Company's seal, authorize the person in whose favour such mortgage or security is executed or any other person in trust for him to collect money in respect of calls made by the Board of members in respect of such uncalled capital and the provisions hereinbefore contained in regard to call shall *mutatis mutandis* apply to calls made under such authority; and such authority may be made exercisable either conditionally or unconditionally, either presently or contingently and either to the exclusion of the Director's powers or otherwise and shall be assignable if expressed so to be.
98. Debentures, debenture-stock bonds and other securities may be made assignable, free from any equities, between the Company and the persons to whom the same may be issued.
99. Subject to the provisions of the Act any debenture, bonds or other securities may be issued by the Company at a discount, premium or otherwise, with any special privileges as to redemption, surrender, drawings, allotment of shares, appointment or Directors or otherwise Debenture and bonds with right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting and compliance of the provisions of the Act.

INDIAN GOVERNMENT APPROVALS

Approvals

Current Indian regulations do not require the Company to obtain any approval / permission from the Ministry of Finance, Government of India or the FIPB in connection with this Offering. However, in the event that the Offering related expenses (including both fixed expenses like underwriting commissions, Lead Manager's charges, legal expenses and other reimbursable expenses) exceed the limit of 4% of the proceeds from the offering, the Company will have to obtain prior RBI approval.

Reporting Requirements

The Company is required to provide the RBI with details of its capital structure before and after the Offering, within 30 days of the date of closing of the Offering.

The Company is required to furnish a statement, in the prescribed form, to the foreign exchange department of the RBI, within 30 days from the date of closing of the Offering, providing full particulars of the Offering such as the number of GDRs issued, the number of underlying new Shares issued, listing arrangements, total proceeds of the Offering, any proceeds of the Offering retained abroad and other relevant details relating to the launching and initial trading of the GDRs.

The Company is required to inform the RBI of any repatriation of proceeds from the issue held abroad, immediately upon such repatriation.

The Company is required to furnish to the RBI a quarterly return within 15 days of the close of each calendar quarter.

Approvals Received by the Company

The Company has applied for and has received, in principle, approval for the listing of the Shares underlying the GDRs from the following Stock Exchanges:

BSE, pursuant to letter dated	●	1 November 2010
NSE, pursuant to letter dated	●	1 November 2010

The Company is also required to obtain the final approval for the listing of the Shares underlying the GDRs on the completion of the allotment of the Shares.

Other Approvals

The Board of Directors and the Shareholders of the Company have approved the issue of the new Shares and the Offering of the GDRs by resolutions dated 31 March 2010 and 30 June 2010 respectively. Further, the Board of the Company vide resolution dated _____ have approved the opening of the GDR issue as per the revised pricing guidelines and no other approval is required under the Companies Act nor are the provisions of the Companies Act relating to the issue of a prospectus applicable to the Offering. However, a copy of this Listing Prospectus will be filed with the RBI and Indian Stock Exchanges for record purposes.

RELATED PARTY TRANSACTIONS

- A. Names of related parties and relationships.
- i) Details of Key Management Personnel
- Mr. Nitin J. Sandesara - Chairman and Managing Director
 - Mr. Chetan J. Sandesara - Joint Managing Director
- ii) Enterprises in which significant influence is exercised by Key Management Personnel
- Sterling SEZ and Infrastructure Limited
 - Sterling Oil Resources Limited
 - Sterling Port Limited
- B. The aggregate amount of transaction with the related parties is as below:

Particulars	Nature of transaction	(' in Lacs)	
		2010	2009
a) Transactions during the period			
1) Mr. Nitin J. Sandesara	Remuneration	63.55	34.23
2) Mr. Chetan J. Sandesara	Remuneration	42.07	26.00
b) Amount outstanding as at Balance Sheet date			
1) Sterling SEZ and Infrastructure Limited	Loans & Advances	12,813.00	22,066.00
Maximum Amount Outstanding		22,066.00	22,066.00
2) Sterling Oil Resources Limited	Loans & Advances	18,153.00	11,564.00
Maximum Amount Outstanding		18,153.00	19,800.00
3) Sterling Port Limited	Loans & Advances	8,665.00	NIL
Maximum Amount Outstanding		8,665.00	NIL
4) Sterling SEZ and Infrastructure Limited	Investment	14,500.00	14,500.00

5) Sterling Oil Resources Limited	Investment	11,900.00	11,900.00
6) Sterling Port Limited	Investment	36.00	-
7) Sterling Port Limited	Share Application Money	9,000.00	-

MATERIAL CONTRACTS

The following is a summary of the principal contents of each material contract directly concerning the Offering:

Placing Agreement

Pursuant to the Placing Agreement entered into on or about [] by the Company and the Lead Manager, the Company agrees to issue the GDRs and to procure the issue of the underlying Shares, subject to all applicable laws and regulations and the Lead Manager agrees to act as agent for the Company to use its reasonable endeavors to procure subscribers for the GDRs at the offer price of US\$ [] per GDR at a service remuneration of USD [].

Deposit Agreement

Pursuant to the Deposit Agreement entered into on or about 1 October 2003 and Supplementary Deposit Agreement dated ___ July 2011 between the Company and the Depositary, the Depositary will issue the GDRs to investors on confirmation of the deposit with the Custodian of the underlying Shares. The terms upon which the GDRs are to be held and converted into Shares are set out in further detail in “Terms and Conditions of the Global Depositary Receipts”.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the Global Depositary Receipts, and will be endorsed on each Global Depositary Receipt certificate:

The Global Depositary Receipts ("GDRs") represented by this certificate are issued in respect of equity shares (the "Shares") in Sterling Biotech Limited (the "Company") pursuant to and subject to an agreement dated [], and made between the Company and The Bank of New York Mellon in its capacity as depositary (the "Depositary") (such agreement, as amended from time to time, being hereinafter referred to as the "Deposit Agreement") and the Supplemental Deposit Agreement dated _____. Pursuant to the provisions of the Deposit Agreement and the Supplemental Deposit Agreement dated _____, the Depositary has appointed ICICI Bank Ltd., as Custodian (the "Custodian") to receive and hold on its behalf any relevant documentation respecting certain Shares (the "Deposited Shares") and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the "Conditions"), references to the "Depositary" are to The Bank of New York Mellon and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "Custodian" are to ICICI Bank Ltd. or any other custodian from time to time appointed under the Deposit Agreement and references to the "Main Office" mean, in relation to the relevant Custodian, its head office in the city of Mumbai or such other location of the head office of the Custodian in India as may be designated by the Custodian with the approval of the Depositary (if outside the city of Mumbai) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

The GDRs will upon issue be represented by interests in a Master GDR, evidencing GDRs, (as each such term is defined in the Deposit Agreement). The GDRs are exchangeable in the circumstances set out in "Summary of Provisions Relating to the GDRs while in Master Form" for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the Master GDR.

References in these Conditions to the "Holder" of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the "Register") as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement.

Holders of GDRs are not party to the Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.

Withdrawal of Deposited Property and Further Issues of GDRs

Any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the Holder to the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or India of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;

the payment of such fees, taxes, duties, charges, costs, expenses and governmental charges as may be required under these Conditions or the Deposit Agreement;

the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary to which the Deposited Property being withdrawn is attributable; and

the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out in Schedule 3, Part B to the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.9), if Deposited Property is to be withdrawn or delivered during the Distribution Compliance Period (such term being defined as the 40 day period beginning on the latest of the commencement of the Offering, the original issue date of the GDRs, and the issue date with respect to the additional GDRs, if any, issued to cover over-allotments) in respect of surrendered GDRs.

Notwithstanding the terms of Conditions 1.1, 1.5, 1.6, 4, 5, 6, 7 and 10, unless the Deposited Shares have been listed on the Bombay Stock Exchange Limited and The National Stock Exchange Of India Limited (or such other Indian stock exchange upon which the Company's Shares are listed):

- (i) no Holder shall be entitled to withdraw Deposited Property; and
- (ii) no person shall be entitled to deposit further Shares.

Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:

a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; **provided however that** the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

- (i) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(a) and (b) of this

Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or

- (ii) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at the specified office in India of any Agent as designated by the surrendering Holder in the order accompanying such GDR.

Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

Unless otherwise agreed by the Depositary and the Company and permitted by applicable law, only the following may be deposited under the Deposit Agreement:

- (a) Shares issued as a bonus issue in respect of Deposited Shares pursuant to Condition 5;
- (b) Shares subscribed or acquired on behalf of Holders from the Company through the exercise of rights distributed by the Company to such persons in respect of Deposited Shares pursuant to Condition 7;
- (c) Securities issued by the Company to the Holders in respect of Deposited Shares as a result of any change in the par value, sub-division, consolidation or other reclassification of Deposited Shares or otherwise pursuant to Condition 10 (references in these Conditions to "Deposited Shares" or "Shares" shall include any securities, where the context permits); and
- (d) to the extent permitted by applicable laws and regulations, any other Shares in issue from time to time.

Shares may not be deposited by persons located in India or residents of India or for, or for the account of, such persons (except by the Company and the Custodian).

The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of Schedule 3, Part A of the Deposit Agreement (*which is described in the following paragraph*) (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.9), by or on behalf of any investor who is to become the beneficial owner of the GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares represented by such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The certificate to be provided in the form of Schedule 3, Part A, of the Deposit Agreement certifies, among other things, that the person providing such certificate is not a US person (as defined in Regulation S under the US Securities Act of 1933, as amended (the "Securities Act")), is located outside the United States and will comply with the restrictions on transfer set forth under "Transfer Restrictions for the GDRs".

Any further GDRs issued pursuant to Condition 1.5 which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will be represented by a GDR certificate in definitive form or a separate temporary Master GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Master GDR (by increasing the total number of GDRs evidenced by the Master GDR by the number of such further GDRs).

The Depositary may issue GDRs against rights to receive Shares from the Company (or any agent of the Company recording Share ownership). No such issue of GDRs will be deemed a "Pre-Release" as defined in Condition 1.8.

Unless requested in writing by the Company to cease doing so, and notwithstanding the provisions of Condition 1.5, the Depositary may execute and deliver GDRs or issue interests in a Master GDR, as the case may be, prior to the receipt of Shares (a "**Pre-Release**"). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation and agreement from the person to whom GDRs or Deposited Property are to be delivered (the "**Pre-Releasee**") that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders, and (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such GDRs or Deposited Property, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than thirty per cent. of the total number of GDRs then outstanding; **provided, however, that** the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Company, change such limit for the purpose of general application. The Depositary will also set dollar limits with respect to Pre-Release transactions hereunder with any particular Pre-Releasee on a case by case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a Pre-Release transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom any Pre-Release of GDRs or Shares is to be made pursuant to this Condition 1.8 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3 Part A of the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.9).

The Depositary may make such amendments to the certificates contained in the Deposit Agreement in Schedule 3 Parts A and B as it may determine are required in order for the Depositary to perform its duties under the Deposit Agreement, or to comply with any applicable law or with the rules and regulations of any securities exchange, market or automated quotation system upon which

the GDRs may be listed or traded, or to comply with the rules or requirements of any book entry system by which the GDRs may be transferred, or to confirm compliance with any special limitations or restrictions to which any particular GDRs are subject.

Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts representing Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system. Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Company is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Company) restrict the withdrawal of Deposited Shares where the Company notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Company's constitutive documents or would otherwise violate any applicable laws.

Transfer and Ownership

The GDRs are in registered form. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Cash Distributions

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; **PROVIDED THAT:**

in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency

in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(d).

Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs represented by the Master GDR or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; **PROVIDED THAT**, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; **PROVIDED THAT**, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in Rupees or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares,

securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs represented by the Master GDR or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

if and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or

if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (a) and (b) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary (i) will, **PROVIDED THAT** Holders have not taken up rights through the Depositary as provided in (a) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (ii) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(a) (the "**Primary GDR Rights Offering**"), if authorised by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(a), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder's GDRs ("**Additional GDR Rights**") if at the date and time specified by the Depositary for the conclusion of the Primary GDR Rights Offering (the "**Instruction Date**") instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder's instructions to subscribe for such Additional GDR Rights ("**Additional GDR Rights Requests**") shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the "**Maximum Additional Subscription**") and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto ("**Unsubscribed Rights**"), subject to Condition 7(d)(iii) and receipt of the relevant subscription price in Rupees or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(d)(ii).

Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Rights Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated *pro rata* on the basis of the extent of the Maximum Additional Subscription specified in each Holder's Additional GDR Rights Request.

In order to proceed in the manner contemplated in this Condition 7(d), the Depositary shall be entitled to receive such opinions from Indian counsel and US counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the expense of the Company and may

be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(d) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in wilful default if it elects not to make the arrangements referred to in Condition 7(d)(i).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Conditions 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (a), (b), (c) and (d) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable convert or cause to be converted, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary may make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency without liability for interest for the benefit of the Holders entitled thereto. If

any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

Distribution of any Payments

Any distribution of cash under Conditions 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDR, according to usual practice between the Depositary and Clearstream or Euroclear, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relative Deposited Property.

Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

Capital Reorganisation

Upon any sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

Withholding Taxes and Applicable Laws

Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Indian and other withholding taxes, if any, at the applicable rates.

If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in India in order for the Depositary to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company has agreed to apply for such authorisation, consent, registration or permit or file such report on behalf of the

Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which (as notified to the Depositary by the Company) such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report.

Voting Rights

Holders will have no voting rights with respect to the Deposited Shares.

The Depositary shall have no obligation to, and shall not, exercise any voting rights with respect to the Deposited Shares and shall have no liability to the Company or any Holder for not exercising any such voting rights.

Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the Depositary

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the "**Charges**") shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The Depositary may sell (whether by way of public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the Depositary from the Holder pursuant to Condition 16, and subsequently pay any surplus to the Holder. Any request by the Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 23.

Liability

In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.

Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of India or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depositary, the Custodian, any Agent, or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the constitutive documents of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document

believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.

The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.

The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions.

The Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.

Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise, and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.

Any such advice, opinion, certificate or information (as discussed in Condition 14.10 above) may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.

The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a director of the Company or by a person duly authorised by a director of the Company or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out there in without wilful default, negligence or bad faith.

The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such Conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, **provided that** no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (**provided that** it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.

The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.

The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, wilful default, or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.

Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance, or the exercise or attempted exercise of (or the failure to exercise any of) its powers or discretions, under the Deposit Agreement, except to the extent that such loss or damage arises from the wilful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees. Without prejudice to the generality of the foregoing, in no circumstances shall the Depositary have any liability for any act or omission of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Shares or otherwise.

No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Indian law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Company, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.

No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

Depositary's Fees, Costs and Expenses

The Depositary shall be entitled to charge the following remuneration and to receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

for the issue of GDRs (other than upon the issue of GDRs pursuant to the Offering) or the cancellation of GDRs upon the withdrawal of Deposited Property: U.S.\$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;

for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

for issuing GDR certificates in definitive registered form (other than pursuant to (b) above): the greater of U.S.\$1.50 per GDR certificate (plus printing costs) or such other sum per GDR

certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;

for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of U.S.\$0.05 or less per GDR for each such dividend or distribution;

in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: U.S. \$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution;

a fee of U.S.\$0.05 or less per GDR (or portion thereof) per calendar year for depositary services which shall be payable as provided in paragraph (h) below;

for any inspections by the Depositary (or the Custodian or their respective agents) of the register of shareholders of the Company: a fee of U.S.\$0.01 per GDR per annum, which shall be payable as provided in paragraph (h) below; and

any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions),

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

The Depositary is entitled to receive from the Company the fees, taxes, duties, charges costs and expenses as specified in a separate agreement between the Company and the Depositary.

Agents

The Depositary shall be entitled to appoint one or more agents (the "**Agents**") for the purpose, *inter alia*, of making distributions to the Holders.

Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

Listing

The Company has undertaken in the Deposit Agreement to use its best endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the Official List of the Luxembourg Stock Exchange and admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

For that purpose the Company will pay all fees and sign and deliver all undertakings required by the Luxembourg Stock Exchange in connection with such listings and admission to trading. In the event that the listing on the Official List of the Luxembourg Stock Exchange, and admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange, is not maintained, the Company has undertaken in the Deposit Agreement to use its best endeavours with the reasonable assistance of the Depositary (provided at the Company's expense) to obtain and maintain a listing of the GDRs on any other internationally recognised stock exchange in Europe.

The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian **PROVIDED THAT** the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary **PROVIDED THAT**, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. The Custodian may resign or be removed by the Depositary by giving prior notice, except that if a replacement Custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of or receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the Custodian. The Depositary in its discretion may appoint a substitute or additional custodian or custodians, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. The Depositary shall notify Holders of such change in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; **PROVIDED THAT**, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

Resignation and Termination of Appointment of the Depositary

The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 120 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 120 days' prior notice in writing to the Company and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; **PROVIDED THAT** no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Company has undertaken in the Deposit Agreement to use its best endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23.

Upon the termination of the appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Company under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the Custodian shall be deemed to be the Custodian there under for such successor depositary, and shall hold the Deposited Property for such successor depositary, and the Depositary shall thereafter have no obligation under the Deposit

Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

Termination of Deposit Agreement

Either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, payment by the Holder of the charge specified in Condition 16.1(a) and Clause 10.1(a)(i) of the Deposit Agreement for such delivery and surrender, and payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary (together with all amounts which the Depositary is obliged to pay to the Custodian) in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement.

If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, *pro rata* to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

Amendment of Deposit Agreement and Conditions

Subject to Condition 22.3, all and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders until the expiration of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge specified in Condition 16.1(a) for such delivery and surrender and otherwise in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a

single series with the other Deposited Shares **PROVIDED THAT** temporary GDRs will represent such Shares until they are so consolidated.

The Company and the Depositary may at any time by agreement in any form amend the number of Shares represented by each GDR, provided that each outstanding GDR represents the same number of Shares as each other outstanding GDR, and at least 30 calendar days notice of such amendment is given to the Holders, but in no circumstances shall any amendment pursuant to this Condition 22.3 be regarded as an amendment requiring three months notice in accordance with Condition 22.1.

Notices

Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.

Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after despatch, and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any facsimile transmission received by it from the other or from any Holder, notwithstanding that such facsimile transmission shall not subsequently be confirmed as aforesaid.

Reports and Information on the Company

The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:

in respect of the financial year ending on 31 December 2009 and in respect of each financial year thereafter, the Audited balance sheets as at the end of such financial year and the statements of income for such financial year in respect of the Company, prepared in conformity with generally accepted accounting principles in India and reported upon by independent public accountants selected by the Company, as soon as practicable (and in any event within 180 days) after the end of such year;

the published non-consolidated unaudited semi-annual (or, if published for holders of Shares, consolidated) financial statements for holders of Shares, as soon as practicable, after the same are published and in any event no later than three months after the end of the period to which they relate; and

the published non-consolidated unaudited quarterly (or, if published for holders of Shares, consolidated) financial statements for holders of Shares, as soon as practicable, after the same are published, and in any event no later than 45 days after the end of the period to which they relate.

The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

Copies of Company Notices

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company (or such number of English translations of the originals if the originals were prepared in a language other than English) in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

Governing Law

The Deposit Agreement, the GDRs, and all non-contractual obligations arising from or connected with the Deposit Agreement and the GDRs, are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedule 3 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Indian law. The Company has submitted in respect of the Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The Company has also agreed in the Deposit Agreement, and the Deed Poll to allow, respectively, the Depositary and the Holders to elect that Disputes are resolved by arbitration.

The Company has irrevocably appointed Porter & Co, with offices at 40, Benhill Avenue, Sutton, Surrey SM1 4DA United Kingdom, as its agent in England to receive service of process in any Proceedings in England based on the Deed Poll and agrees to receive service of process in any Proceedings in New York by mail at its registered office address, being 43, Atlanta, Nariman Point, Mumbai – 400 021 (India). If for any reason the Company does not have such an agent in England it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

The courts of England are to have jurisdiction to settle any disputes (each a "**Dispute**") which may arise out of or in connection with the GDRs (including any dispute relating to the existence, validity or termination of the GDRs, or any non-contractual obligation arising out of or in connection with the GDRs, or the consequences of the nullity of the GDRs), and accordingly any legal action or proceedings arising out of or in connection with the GDRs ("**Proceedings**") may be brought in such courts. Without prejudice to the foregoing, the Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

These submissions are made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).

In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceeding.

The Depositary irrevocably appoints The Bank of New York Mellon, London Branch, (Attention: The Manager) of 48th Floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

To the extent that the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Company or its assets or revenues, the Company has agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE GDRs WHILE IN MASTER FORM

The GDRs will initially be evidenced by a Master GDR in registered form. The Master GDR will be deposited with The Bank of New York Mellon as common depositary for Euroclear and Clearstream (and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for the common depositary) on the date the GDRs are issued.

The Master GDR contains provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Conditions of the GDRs set out in this document. The following is a summary of certain of those provisions. Words and expressions given a defined meaning in the Conditions shall have the same meanings in this section unless otherwise provided in this section.

The Master GDR will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii) or (iii) below in whole but not in part and until exchanged in full is subject to the Conditions and the Deposit Agreement. The Depositary will irrevocably undertake in the Master GDR to deliver certificates in definitive registered form in exchange for the Master GDR to the Holders in the event that:

- (i) Clearstream or Euroclear notifies the Company in writing that it is unwilling or unable to continue as depositary for the Master GDR and a successor depositary is not appointed within 90 calendar days; or
- (ii) either Clearstream or Euroclear is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Depositary is available within 45 calendar days; or
- (iii) the Depositary has determined that, on the occasion of the next payment in respect of the Master GDR, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the Master GDR that would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine,

within 60 calendar days of the occurrence of the relevant event. Any exchange shall be at the expense (including printing costs) of the Company.

Upon any exchange of the Master GDR for certificates in definitive registered form, or any distribution of GDRs pursuant to Conditions 5, 7 or 10 or any reduction in the number of GDRs following any withdrawal of Deposited Property pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary (which shall be maintained at all times outside the United Kingdom and India) whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the number so exchanged and entered on the register. If the number of GDRs represented by the Master GDR is reduced to zero the Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will be made by the Depositary through Euroclear and Clearstream on behalf of persons entitled thereto upon receipt of funds therefor from the Company. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the records of the Depositary being marked up to reflect the enlarged number of GDRs represented by this Master GDR.

Holders of GDRs will have no voting rights with respect to the Deposited Shares. The Depositary may be granted voting rights with respect to the Deposited Shares from time to time but, for the avoidance of doubt, will not exercise any such rights.

The Depositary will not exercise any voting rights it may be granted with respect to the Deposited Shares under any circumstances. However, Shares which have been withdrawn from the depositary facility and transferred on the Company's register of members to a person other than the Depositary or its nominee may be voted by the holders thereof. However, Holders or owners of GDRs may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the Shares and vote at such meetings.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, as appropriate. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all moneys or other property payable or distributable in respect of the Deposited Property represented by such GDR.

Notices

For as long as this Master GDR is registered in the name of a nominee for a common depositary holding on behalf of Euroclear and Clearstream, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream for communication to persons entitled thereto in substitution for publications required by Condition 23.

The Master GDR shall be governed by and construed in accordance with English law.

GLOBAL CLEARANCE AND SETTLEMENT PROCEDURE

The Clearing System

Euroclear and Clearstream, Luxembourg hold securities for participating organisations and facilitate the clearance and settlement of securities transactions outside the United States between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities leading and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriter, securities brokers and dealers bank, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain custodial relationship with Euroclear and Clearstream, Luxembourg participants, either directly or indirectly. Distribution of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Depository, to the cash account of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant systems rules and procedures.

Registration and Form

Book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg will be evidenced by the Master GDR registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for The Bank of New York Mellon as common depository for, Euroclear or Clearstream, Luxembourg (the “Common Depository”). As necessary, the Depository will adjust the amounts of GDRs on the register for the accounts for Euroclear or Clearstream, Luxembourg to reflect the amounts of GDRs held through Euroclear or Clearstream, Luxembourg. Interests in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear or Clearstream, Luxembourg. The aggregate holdings of book-entry interests in the GDRs in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each institution. Euroclear, Clearstream, Luxembourg and every other intermediate holding in the chain to the beneficial owner of book-entry interests in the GDRs will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depository will be responsible for maintaining a record of the aggregate holdings registered in the name of a nominee of the common depository for Euroclear and Clearstream, Luxembourg and GDR Holders in definitive registered form (if applicable). The Depository will be responsible for ensuring that payments received by it from the Company for GDR Holders through Euroclear or Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg respectively. The Company will not incur any fees in respect of the GDRs, however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

Initial Settlement

On completion of the Offering, the GDRs will be in a global form evidenced by a Master GDR. Book-entry interests in the GDRs will be credited to the Lead Manager’s Euroclear and Clearstream, Luxembourg participant securities clearance account on a free of payment basis. The Lead Manager will, then, effect the DVP delivery of GDRs to Euroclear and Clearstream, Luxembourg participant securities clearance accounts of the initial investors against payment.

Secondary Market Trading/Primary Market Trading

Trading between Euroclear and Clearstream, Luxembourg participants and primary or secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the GDRs will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the normal procedures applicable to depository receipts

General

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the GDRs among participants of Euroclear and Clearstream, Luxembourg, Euroclear and Clearstream, Luxembourg are not under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company, the Depositary, the Custodian, the Lead Manager nor their respective agents will have any responsibility for the performance of Euroclear, Clearstream, Luxembourg or their respective participants under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is The Bank of New York Mellon. The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was constituted in 1784 in the State of New York.

It is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a New York bank holding company. The principal office of the Depositary is located at One Wall Street, New York, New York 10286, United States. Its principal administrative offices are located at 101 Barclay Street, New York, New York 10286, United States. A copy of the Depositary's Articles, as amended, together with copies of The Bank of New York Mellon Corporation's most recent financial statements, quarterly financial statements and annual report are available for inspection at the principal offices of the Depositary located at One Wall Street, New York, New York 10286 and at The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom and at The Bank of New York Mellon (Luxembourg) S.A. located at Vertigo building – Polaris, 2-4 Rue Eugene Ruppert, L-2453, Luxembourg and at Euram Bank Asia Limited, located at 915-916, Liberty House, Sheikh Zayed Road, Dubai, U.A.E.

NATURE OF THE INDIAN SECURITIES TRADING MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, the BSE and the NSE and has not been independently verified by the Company, the Lead Managers, the Trustee, the Paying and Conversion Agents or their affiliates or advisers.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by the SEBI, as well as by the Government acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act 1956 ("SCRA") and the Securities Contracts (Regulation) Rules, 1957 ("SCRR") which, along with the rules, by-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

SEBI Act 1992, as amended, granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organizations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors ("FIIs"), credit rating agencies and other capital market participants.

SEBI promulgated SEBI (Central Listing Authority) Regulations, 2003, on 13 February 2003, under which it constituted a regulatory authority called the Central Listing Authority (the "CLA") to address the issued of multiple listing of the same security and to bring about uniformity in the due diligence exercise in scrutinising all listing applications on any stock exchanges in India. The functions of the CLA are enumerated in the SEBI (Central Listing Authority) Regulations, 2003, which *inter alia* include: (i) processing the application made by any body corporate, mutual fund or collective investment scheme, for the letter of recommendation for it to be listed on the stock exchange; (ii) making recommendations as to listing conditions; (iii) making suggestions with respect to investor protection development and regulation of the securities market and disclosures to be made in offering documents; and (iv) any other functions that may be specified by SEBI from time to time. No stock exchange can consider a listing application unless it is accompanied by a letter of recommendation from the CLA.

Public Issuance of Securities

Under the Companies Act, a document through which a public offering of securities is made in India shall be considered to be a prospectus, which must contain information specified in the Companies Act and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended, and be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated. A company's directors and promoters are subject to civil and criminal liability for misstatements in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. The SEBI Guidelines permit most companies to price freely their issues of securities.

Public limited companies are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the Companies

Act's disclosure requirements and regulations governing their manner of presentation, which include sections relating to management discussion and analysis and corporate governance. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement(s) with the relevant stock exchange(s), including the requirement to publish unaudited financial statements on a quarterly basis and to inform stock exchanges immediately of any stock-price sensitive information.

The shareholders of a listed company and the Company itself are also subject to certain disclosure requirements pursuant to the terms of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended ("Insider Trading Regulations"). See "The Indian Securities Trading Market - Insider trading regulations".

The ICAI and SEBI have implemented changes that require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide sector reporting, to increase their disclosure of related party transactions from 1 April 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from 1 April 2002. As of 1 April 2003, accounting for intangible assets is also regulated by accounting standards set by the ICAI and, as of 1 April 2004, accounting standards will regulate accounting for impairment of assets.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreement of the respective stock exchanges, under which the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of the Company's obligations under such agreement, subject to the Company receiving prior notice of such intent of the stock exchange.

A listed company can be delisted under the provisions of the SEBI (Delisting of Equity Shares) Regulations, 2009, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. The key highlights of SEBI (Delisting of Equity Shares) Regulations 2009:

- **In Principle Approval:** In cases where an Exit Opportunity is required to be given to the Public Shareholders (i.e. where the company is seeking delisting from the all the exchanges or in a case, where after delisting the company will not remain listed at the exchanges having nationwide trading terminal), the Company will have to now take the in principal approval from the concerned Exchange(s).
- **Validity of the Special Resolution:** The special resolution passed for the delisting giving exit option to the shareholders will be valid for a period of 1 year within which the final application will be required to be made to the exchange for delisting.
- **Special Resolution by way of Postal Ballot:** The shareholders approval should be sought from the shareholders via postal ballot in case the exit opportunity be given to the shareholders. The votes cast by the public shareholders in favour of the delisting proposal should be atleast 2 times of the numbers of votes cast against it.
- **Promoters/ PAC not allowed to participate in bidding:** Promoters/ PAC/ GDR/ ADR/ Receipt Holders can not participate in the delisting bid. If Depository Receipt holders wish to participate then they have to first convert them into Equity shares.
- **Successful Exit Offer:** Under the Regulations, to get delisted, post offer, the Promoter holding should reach the higher of the following: 90% of total issued shares of that class; or (pre offer promoter holding +50% of the Offer Size), otherwise the offer shall be deemed to have failed.
- **Validity period of the Exit Price:** Under the Regulations, the final exit price to remain open for a period of 1 year from the date of delisting, for the remaining shareholders who have not exercised the option at the time the offer is open.

SEBI has the power to direct the amendment of listing agreements and by-laws of stock exchanges in India. Any amendment of the by-laws by the stock exchanges on their own requires the prior approval of SEBI.

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers for most stocks, which do not allow transactions beyond a certain level of price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and additionally, there are currently in place varying individual scrip-wise bands.

The Indian stock exchanges can also exercise the power to suspend trading during periods of market volatility. Trading on Indian stock exchanges is subject to margin requirements imposed by stock exchanges that are required to be paid by stockbrokers. At the discretion of stock exchanges and under instructions from SEBI, stock exchanges can also impose ad hoc margins for specific stocks in the event of extreme volatility in price movements.

Clause 40A of the Equity Listing Agreement for Minimum Level of Public Shareholding provides:

- (i) The company agrees to maintain on a continuous basis, public shareholding of at least 25% of the total number of issued shares of a class or kind, for every such class or kind of its shares which are listed.
- (ii) Where the company offers or has in the past offered a particular class or kind of its shares to the public to the extent of at least 10% of the issue size in terms of Rule 19(2) (b) of the Securities Contracts (Regulations) Rules, 1957, it agrees to maintain on a continuous basis, public shareholding of at least 10% of the total number of issued shares of such class or kind.
- (iii) Where the number of outstanding listed shares of any class or kind of the company are twenty Million or more and the market capitalization of such company in respect of shares of such class or kind is Rs.10, 000 Million or more, it agrees to maintain on a continuous basis, public shareholding of at least 10% of the total number of issued shares of such class or kind.
- (iv) Where, as on 1 May 2006, the shares of a particular class or kind issued by the company are listed and the public shareholding in respect of shares of such class or kind is less than 25% or 10%, as the case may be, of the total number of issued shares of such class or kind, the company agrees to increase public shareholding in respect of shares of such class or kind to 25% or 10%, as the case may be, within such period as may be approved by the Specified Stock Exchange (SSE) but not exceeding two years from the said date. Provided that the SSE may, on an application made by the company and after satisfying itself about the adequacy of steps taken by the company to increase its public shareholding and genuineness of the reasons submitted by the company for not reaching the minimum level of public shareholding and after recording reasons in writing, extend the time for compliance with the requirement of minimum level of public shareholding by a further period not exceeding one year.
- (v) Where the public shareholding in a company in respect of shares of such class or kind is less than 25% or 10%, as the case may be, of the total number of issued shares of such class or kind, the company agrees not to dilute in any way its public shareholding, except for supervening extraordinary events, including, but not limited to events specified in sub-clause (vii) of Clause 40A, with the prior approval of the SSE.
- (vi) The Company agrees not to make any allotment of its shares to its promoters or entities belonging to its promoter group, except on account of supervening extraordinary events, including, but not limited to events specified in sub clause of Clause 40A, or make any offer to buyback its shares or buy its shares for the purpose of making sponsored issuance of depository receipts or take any other step, including issuance of depository receipts, if it results in reducing the public shareholding below the minimum level of 25% or 10%, as the case may be.

- (vii) Where the public shareholding in any class or kind of shares of a company falls below the minimum level of public shareholding on account of supervening extraordinary events, including, but not limited to –
- (a) issuance or transfer of shares in compliance with directions of a regulatory or statutory authority or court or tribunal;
 - (b) issuance or transfer of shares in compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
 - (c) re-organisation of capital by way of a scheme of arrangement; and
 - (d) issuance or transfer of shares under a restructuring plan approved in compliance with the Corporate Debt Restructuring System laid down by the Reserve Bank of India, the SSE may, after examining and satisfying itself about the circumstances of the case and after recording reasons in writing, extend the time for compliance with the requirement of minimum level of public shareholding by a further period not exceeding one year. Provided that the SSE may, on an application made by the company and after satisfying itself about the adequacy of steps taken by the company to increase its public shareholding and genuineness of the reasons submitted by the company for not reaching the minimum level of public shareholding and after recording reasons in writing, extend the time for compliance with the requirement of minimum level of public shareholding by a further period not exceeding one year.

Indian stock exchanges

There are now 23 stock exchanges in India. Most of the stock exchanges have their own governing Board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for dematerialization as a measure of moving towards greater investor protection.

The major stock exchanges in India are The Bombay Stock Exchange Limited, Mumbai and the National Stock Exchange of India Limited. The Bombay Stock Exchange, Mumbai and National Stock Exchange together dominate the stock exchanges in India in terms of number of listed companies, market capitalization and trading and account for a majority of trading volumes of securities in India.

Currently, the stock exchanges in India operate on an Exchange Business Day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

To restrict abnormal price volatility, SEBI has instructed stock exchanges to apply the following price bands calculated at the previous day's closing price (there are no restrictions on price movements of index stocks):

- i) ***Market Wide Circuit Breakers.*** Market wide circuit breakers are applied to the market for movement by 5%, 10%, 15% and 20% for two prescribed market indices: the BSE Sensex for the BSE and the Nifty or the NSE (the "NSE Nifty"), whichever is earlier. If any of these circuit breaker thresholds are reached, trading in all equity and equity derivatives markets nationwide is halted.
- ii) ***Price Bands.*** Price bands are circuit filters of 20% movements either up or down, and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty and derivatives products.

NSE

The NSE serves as a national exchange, providing nationwide on-line satellite-linked screen-based trading facilities with an electronic order-based trading system, and electronic clearing and settlement for securities, including Government securities, debentures, public sector bonds and units. The principal aim of the NSE is to enable investors to buy or sell securities from anywhere in India and to serve as a national market for securities. Deliveries for trades executed “on-market” are settled through the National Securities Clearing Corporation Limited. The NSE does not categorise shares into groups as in the case of BSE, except in respect of the trade-to-trade category. Screen-based paperless trading and settlement is possible through the NSE from 307 cities in India. The NSE commenced operations in the wholesale debt market in June 1994, in capital markets in November 1994 and in derivatives in June 2000. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on 22 April 1996 and the Mid-cap index on 1 January 1996.

As of 31 March 2009, NSE has about 1319 companies listed representing the length, breadth and diversity of the Indian economy which includes from hi-tech to heavy industry, software, refinery, public sector units, infrastructure, and financial services. The Average daily traded value of the capital market segment was Rs. 20133.0 Million as on May 2009.

NSE had 1,227 trading members and 31,798 (1,630 corporates, 2,240 partnership firms and 27,928 individuals) sub-brokers were affiliated to 585 trading members of the Exchange on 31 March 2008.

BSE

The BSE, the oldest stock exchange in India, was established in 1875. It has evolved over the years into its present status as the premier stock exchange of India. The BSE switched over to on-line trading (“BOLT”) from May 1995. BSE has the greatest number of listed companies in the world, with 4700 listed as of August 2007 and having equity market capitalization of the companies listed on the BSE of approx US\$ 1.79 trillion as on January 2008, making it the largest stock exchange in South Asia and the 12th largest in the world. Only a member of the BSE has the right to trade in the stocks listed on the BSE.

Derivatives trading commenced on the BSE in 2000. The BSE has also wholesale and retail debt trading segments. Retail trading in Government securities commenced in January 2003.

Transaction tax

The Finance Act 2004 inserted a levy of securities transaction taxes on taxable securities transactions. In terms of Finance Act, 2010 the rate of levy of the securities transaction tax has been revised and which are as follows:

No.	Taxable Securities Transaction	Rates	Payable by
1.	Purchase of an equity share in a company or a unit of an equity oriented fund, where (a) such purchase is transacted on a recognised stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125%	Buyer
2.	Sale of an equity share in a company or a unit of an equity oriented fund, where (a) such sale is transacted on a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125%	Seller
3.	Sale of an equity share in a company or a unit of an equity oriented fund, where (a) such sale is transacted on a recognised stock exchange; and (b) the contract for the sale of such share or unit is	0.025%	Seller

	settled otherwise than by the actual delivery or transfer of such share or unit.		
4.	Sale of a unit of equity and equity oriented fund to a mutual fund.	0.25%	Seller
5.	Sale of an option in goods or an option in commodity derivative.	0.017%	Seller
6.	Sale of an option in goods or an option in commodity derivative, where an option is exercised.	0.125%	Buyer
7.	Sale of any other commodity derivative.	0.017%	Seller

Derivatives (futures and options)

Trading in derivatives is governed by the Securities Contracts (Regulations) Act, 1956 and SEBI Act, 1992. The Securities Contracts (Regulations) Act, 1956 was amended in February 2000 and derivative contracts were included within the term “securities”, as defined by the Securities Contracts Act. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. Derivatives products have been introduced in a phased manner in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed inter alia by the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the “Takeover Code”) which prescribes certain thresholds or trigger points that give rise to these obligations, as applicable. The Takeover Code is under constant review by the SEBI and was last amended on 30 December 2004. Since the Company is an Indian listed company, the provisions of the Takeover Code will apply to an acquisition of the Company’s shares.

The principal features of the Takeover Code are as follows:

Any acquirer (defined as a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert) who acquires shares or voting rights that would entitle the acquirer to more than 5%, 10% and 14% of the shares or voting rights, respectively, in a company is required to disclose the aggregate of his shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company’s shares are listed at every stage within two days of (i) the receipt of allotment information or (ii) the acquisition of shares or voting rights, as the case may be. The term “shares” is defined under the Takeover Code to mean “equity shares or any other security which entitles a person to acquire shares with voting rights, not including preference shares”.

Additionally, a person who holds more than 15% of the shares or voting rights in any company is required to make annual disclosure of his holdings to that company within 21 days of the end of any financial year (commencing 1 April and ending 31 March) in which he has such a holding. The Company is required to disclose the same to each of the stock exchanges on which its shares are listed. Further, a person who holds 15% or more but less than 55% of the shares or voting rights in any company is required to disclose any purchase or sale of shares or voting rights which equals or exceeds 5% of voting rights, in the company, by way of public announcement to acquire such shares in accordance with the Takeover Code.

Promoters or persons in control of a company are also required to make periodic disclosure of shares or voting rights held by them along with persons acting in concert, in the same manner as above, annually within 21 days of the end of the financial year as well as from the record date for entitlement to a dividend.

An acquirer, who along with persons acting in concert acquires 15% or more of the shares or voting rights of a company would be required to make a public announcement to acquire a further minimum 20% of the shares of the Company in accordance with the Takeover Code. Such offer has to be made to all public shareholders of the Company (defined as shareholdings held by persons other than the promoter (as defined under the Takeover Code).

An acquirer who, together with persons acting in concert with him, holds 15% or more but less than 55% of the shares or voting rights in a company cannot acquire additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year unless such acquirer makes a public announcement offering to acquire a further minimum 20% of the shares or voting rights from publicly held shares in the Company.

An acquirer, who has acquired, in accordance with the provisions of the Takeover Code, 55% of the shares or voting rights in a company, shall not acquire any additional shares or voting rights, unless such acquirer makes a public announcement to acquire shares in accordance with the Takeover Code.

In addition, regardless of whether there has been any acquisition of shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the Company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the shares from the shares or voting rights from publicly held shares in the Company.

The open offer for the acquisition of a further minimum of 20% of shares of the Company or such other percentage as prescribed under the Takeover Code has to be made by way of a public announcement which must be made within four working days of entering into an agreement for the acquisition of shares or voting rights, or deciding to directly acquire, shares or voting rights exceeding the relevant percentages or control over the Company.

Unless otherwise provided in the Takeover Code, an acquirer who seeks to acquire any shares or voting rights whereby the public shareholding in the Company may be reduced to a level below the limit specified in the listing agreement with the stock exchange(s) for the purpose of continuous listing may acquire such shares or voting rights only in accordance with the regulations prescribed for delisting of securities by SEBI.

The Takeover Code sets out the contents of the required public announcement as well as the minimum offer price. The minimum offer price depends on whether the shares of the Company are “frequently” or “infrequently” traded (as defined by the Takeover Code). If the shares are frequently traded, then the minimum offer price would be the higher of:

- (i) the negotiated price under the agreement for the acquisition of shares in the Company; or
- (ii) the price paid by the acquirer or persons acting in concert with him for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of public announcement, whichever is higher; or
- (iii) the average of the weekly high and low of the closing prices of the shares of the Company quoted on the stock exchange where the shares of the Company are most frequently traded during the 26-week period, or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the Company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

The Takeover Code permits conditional offers and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the Board of directors of the target company in the offer process have also been set out. Acquirers making a public offer are also required to deposit into an escrow account a percentage of the total consideration, which amount will be forfeited in the event that the acquirer does not fulfill its obligations. In addition, the Takeover Code introduces the “chain principle” by which indirect acquisition by virtue of an acquisition of companies, whether listed or unlisted, whether in

India or abroad, of a company listed in India will oblige the acquirer to make a public offer to the shareholders of each such company which is indirectly acquired. On account of any public offer made in pursuance of such global arrangement, if the public shareholding of the Company falls below the limit specified in the listing agreement with the stock exchange(s) for the purpose of continuous listing, the acquirer is required to undertake to raise the level of public shareholding to the level specified for continuous listing in the listing agreement within a period of 12 months from the date of closure of the public offer by, (i) the issue of new shares by the Company in compliance with the Companies Act and SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009; or (ii) divestment through an offer for sale in compliance with the Companies Act and SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, of such number of shares held by him so as to satisfy the listing requirements; or (iii) sale of his shares through stock exchange(s).

The acquirer shall undertake to raise the level of public shareholding to the level specified for continuous listing in terms of the listing conditions within the period specified under the Listing agreement.

The public open offer provisions of the Takeover Code do not apply, inter alia, to certain specified acquisitions, including the acquisition of shares (i) by allotment in a public and rights issue subject to the fulfillment of certain conditions; (ii) pursuant to an underwriting agreement; (iii) by registered stockbrokers in the ordinary course of business on behalf of clients; (iv) in unlisted companies (unless such acquisition results in an indirect acquisition of shares or voting rights at or in excess of 15% in a listed company or control of a listed company; (v) pursuant to a scheme of reconstruction or amalgamation approved by a court in India or abroad; (vi) pursuant to an inter se transfer between promoters or group companies, subject to certain conditions; (vii) pursuant to a scheme under the SICA; or (viii) an acquisition of shares in accordance with regulations regarding delisting of securities prescribed by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledge. An application may also be filed with SEBI seeking exemption from the requirements of the Takeover Code.

As per recent SEBI Press Release (PR No. 300/2009) the following amendments have been made to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations (Takeover Regulations)

(a) Applicability of open offer obligations in case of GDRs/ ADRs etc.

In tune with market developments, SEBI has decided to amend the Takeover Regulations to provide that where the ADR/ GDR holders are entitled to exercise voting rights on the shares underlying GDRs / ADRs by virtue of clauses in the depositary agreement or otherwise, open offer obligations shall be triggered upon crossing the threshold limits set out under Chapter III of the Regulations.

(b) Disclosure of sale/ purchase by acquirer under Regulation 7 (1A)

Regulation 7 (1A) of the Takeover Regulations requires disclosures on (+ /-) 2% acquisition / divestment by the acquirers holding shares / voting rights between 15-55%. SEBI has decided to extend such disclosure requirements to acquirers holding shares / voting rights between 15-75%.

Insider trading regulations

SEBI (Prohibition of Insider Trading) Regulations 1992 (“Insider Trading Regulations”) have been issued by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit an insider from dealing, either on his/her own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price sensitive information. The terms, “insider”, “unpublished” and “price sensitive information” are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counseling or procuring, directly or indirectly, any unpublished price sensitive information to any other person who, whilst in possession of such unpublished price sensitive information, shall not deal in any securities to which that information relates. The prohibition under the Insider Trading Regulations also extends to a company

dealing in the securities of other company listed on any stock exchange whilst in the possession of unpublished price sensitive information. It is to be noted that recently SEBI has amended the Insider Trading Regulations to provide certain defences to the prohibition on companies in possession of unpublished price sensitive information dealing in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price sensitive information within such entities so as to minimize misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading, which must be implemented by all listed companies.

Pursuant to the Insider Trading Regulations, any person holding more than 5% of the ordinary shares or related voting rights in any listed company must disclose to the Company in the specified form the number of shares or voting rights held by such person on becoming such holder, within two working days of (a) the receipt of intimation of allotment of shares or (b) the acquisition of shares or voting rights, as the case may be. Additionally, any change in such shareholding or voting rights in excess of 2% from the time of the last disclosure (even if such change results in the shareholding or voting rights falling below 5%) is required to be disclosed to the Company within two working days of (a) the receipt of intimation of allotment of shares or (b) the acquisition or sale of shares or voting rights, as the case may be. The Company is also required to disclose such information, in the specified format, received from its shareholders within two days of the receipt of such information, to the stock exchanges on which the Company's shares are listed.

Any person who is a director or officer of a listed company is required to disclose to the company, in the specified form, the number of shares or voting rights held by him within two days of becoming such director or officer of the company. Further, such director or shareholder must disclose any change from the last disclosure in his shareholding and voting rights in excess of Rs.500, 000 or 25,000 shares or 1% shareholding or voting rights, whichever is lower. The disclosure shall be made within two working days of (a) the receipt of intimation or allotment of shares or (b) the acquisition or sale of shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996, as amended (the "Depositories Act"), which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed SEBI (Depositories and Participants) Regulations 1996 which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the Company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialized trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialized trading in specified scripts for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialized trading is compulsory for all investors. Under the Depositories Act and guidelines issued by SEBI, the Company shall give the option to subscribers / shareholders to receive the security certificates and hold securities in dematerialized form with a depository. However, even in the case of scrips notified for compulsory dematerialized trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depository on the Company's books and this depository shall enter the name of the investor in its records as the beneficial

owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his/her shares held by a depository. Every person holding equity share capital of the Company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a member of the concerned company.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 Million (US\$2 Million) should issue the securities in dematerialized form. The National Securities Depository Limited and Central Depository Services (India) Limited are the two depositories that provide electronic depository facilities for trading in equity and debt securities in India.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

General

Prior to 1 June 2000, foreign investment in Indian securities, including the acquisition, sale and transfer of securities of Indian companies, was regulated by the Foreign Exchange (Regulation) Act, 1973 of India (the “FERA”) and the notifications issued by the RBI there under.

With effect from 1 June 2000, foreign investment in Indian securities is regulated by the Foreign Exchange Management Act, 1999 (as amended from time to time) (“the FEMA”) and the rules, regulations and notifications by the RBI made under FEMA. A person resident outside India can acquire or transfer any security of an Indian company or any other security to an Indian resident only under the terms and conditions specified in the FEMA and the rules and regulations made there under.

The RBI issued the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 (the “Regulations”) to regulate the issue of Indian securities including global depository receipts to persons resident outside India and the transfer of Indian securities by or to persons resident outside India. The RBI has also issued the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations 2000 (the “ODI Regulations”).

The Regulations provide that an Indian entity may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only in the manner set forth in the FEMA and the rules and regulations made thereunder or as permitted by the RBI.

Foreign Direct Investment

The Government pursuant to its liberalisation policy set up the Foreign Investment Promotion Board (the “FIPB”), a department of the Ministry of Finance, to regulate all investments by way of subscription and/or purchase of securities of an Indian company by a non-resident investor (“FDI”) into India. FIPB approval is required for investment in sectors such as housing, petroleum (other than refining), defence and strategic industries and for investment in certain other circumstances. Also, the following investments would require the prior permission of the FIPB:

- Foreign investment in industries that require an industrial licence under the provisions of the Industries (Development and Regulation) Act, 1951;
- Foreign investment of more than 24% in the equity capital of manufacturing items reserved for small scale industries;
- All proposals in which the foreign collaborator has a previous or existing joint venture in India in the relevant sector;
- All proposals for investment in certain industries specified by the Government (for example, defence and strategic industries, print media, broadcasting and investing companies in infrastructure/ services sector(except telecom sector)); and
- All proposals for investment in certain specified industries where the proposed investment is in excess of a maximum specified limit (for example, investment in excess of 49 % upto to 74% in Telecommunications).

Further, all proposals relating to the transfer of existing shares of an Indian Company whose activities fall under automatic route (subject to sectoral limits) from an Indian resident to a non-resident by way of sale would not require any prior FIPB approval subject to the following:

- (i) Indian Company whose shares are proposed to be transferred is not engaged in rendering any financial service;

- (ii) Transfer which does not fall within the purview of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997; and
- (iii) The concerned parties adhere to pricing guidelines, documentation and reporting requirements for such transfer as may be specified by Reserve Bank from time to time.

Currently, subject to certain exceptions, FDI and investment by non-resident Indians in Indian companies does not require the prior approval of the FIPB or the RBI. The Government has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FDI is on an automatic basis, no prior approval from the RBI is required, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI within a specified period of the foreign investment being made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies.

The Government has set up the Foreign Investment Implementation Authority (the “FIIA”) in the Ministry of Commerce and Industry. The FIIA has been mandated to (i) translate FDI approvals into implementation, (ii) provide a pro-active one stop after care service to foreign investors by helping them obtain necessary approvals, (iii) deal with operational problems, and (iv) meet with various Government of India agencies to find solutions to foreign investment problems, and maximise opportunities through a partnership approach.

Pricing

The price of shares of a listed Indian company issued to non-residents under the FDI scheme on an automatic basis cannot be less than the price calculated in accordance with the guidelines issued by the SEBI. Where the Indian company is not listed on any recognised stock exchange in India, the minimum issue price of the shares would be based on a fair valuation of shares produced by a chartered accountant as per the guidelines issued by the Securities and Exchange Commission of India.

On 27 November 2008 the Government of India issued new guidelines, which state that pricing of global depository receipt and foreign currency convertible bond issues should be made at a price subject to following:

- (i) The pricing should not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date;

The “relevant date” means date of the meeting in which the Board of the company or the Committee of Directors duly authorized by the Board of the company decides to open the proposed issue.

Every Indian company issuing shares or convertible debentures in accordance with the Regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

The above description applies only to a fresh issue of shares or convertible debentures by an Indian company.

Portfolio Investment by Foreign Institutional Investors

In September 1992, the Government issued guidelines which enable FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to make portfolio investments in all securities of listed and unlisted companies in India. Investments by registered FIIs or non-resident Indians made through a stock exchange are known as portfolio investments (“Portfolio Investments”). Foreign investors wishing to invest and trade in Indian securities in India under the portfolio investment route are required to register with the

SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 (the “Foreign Institutional Investor Regulations”) and obtain a general permission from the RBI under the Foreign Exchange Management Act, 1999. Investors can also register as sub-accounts of FIIs. However, since the SEBI provides a single window clearance, a single application must be made to the SEBI. Foreign investors are not necessarily required to register with the SEBI as FIIs and may invest in securities of Indian companies pursuant to the FDI route discussed above.

FIIs who are registered with the SEBI are required to comply with the provisions of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 (the “Foreign Institutional Investor Regulations”). A registered FII may buy, subject to the ownership restrictions discussed below, and sell freely listed securities issued by any Indian company, realise capital gains on investments made through the initial amount invested in India, subscribe to or renounce rights offerings for shares, appoint a domestic custodian for custody of investments made and repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights offerings of shares. A FII or a sub-account of an FII may not hold more than 10% of the total issued capital of a company in its own name, a corporate/individual sub-account of the FII may not hold more than 5% of the total issued capital of a company, and a broad-based sub-account may not hold more than 10% of the total issued capital of a company. The total holding of FIIs/ sub accounts of FIIs put together shall not exceed 24% of the paid-up equity capital of the Indian Company including investment by body corporate registered outside India and person resident outside India. Further, the limit of 24% can now be increased beyond 24% upto the sectoral cap/ statutory ceiling, as applicable, by the Indian Company concerned by passing a resolution by its board of directors followed by passing of a special resolution to that effect by its general body. For arriving at the ceiling on holding of FIIs, shares acquired both through primary as well as secondary market will be included. However, the ceiling will not include investment made by FII through offshore funds, Global Depository receipts and Euro Convertible Bonds.

In terms of the recent amendments made to the Regulations, FIIs are permitted to purchase shares/convertible debentures, subject to the FII limits, of an Indian company either through:

- a public offer, where the price of the shares to be issued is not less than the price at which the shares are issued to the residents, or
- by way of a private placement, where the price is not less than the price according to the terms of the relevant guidelines or the guidelines issued by the former controller of capital issues.

There is uncertainty under Indian law about the tax regime applicable to FIIs, which hold and trade GDRs. FIIs are urged to consult with their Indian legal and tax advisers about the relationship between the FII guidelines and the GDRs and any equity shares withdrawn upon surrender of the GDRs.

Registered FIIs are generally subject to tax under Section 115AD of the Income Tax Act. The Shares (including Shares represented by GDRs) are subject to tax under the Income Tax Act. There is uncertainty under Indian law as to the tax regime applicable to FIIs that hold and trade in the GDRs and the Shares. “See Taxation — Indian Tax”.

Portfolio Investment by Non-Resident Indians

A variety of methods for investing in shares of Indian companies are available to non-resident Indians. These methods allow non-resident Indians to make Portfolio Investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the Portfolio Investment Scheme, a non-resident Indian can purchase up to 5% of the paid-up value of the shares issued by a company, subject to the condition that the aggregate paid-up value of shares purchased by all non-resident Indians does not exceed 10% of the paid-up capital of the company. Further, the aggregate ceiling of 10% may be raised to 24% if the special resolution to that effect is passed by the General body of the Indian Company concerned. In addition to Portfolio Investments in Indian companies, non-resident Indians may also make FDIs in Indian companies pursuant to the FDI route discussed above.

Eligibility of issuer

An Indian company, which is not eligible to raise funds from the Indian capital markets including a company which has been restrained from accessing the securities market by the SEBI will not be eligible to issue (i) foreign currency convertible bonds or (ii) ordinary shares through global depository receipts under the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993.

Eligibility of subscriber

Overseas Corporate Bodies who are not eligible to invest in India through the portfolio route, and entities prohibited to buy, sell or deal in securities by the SEBI will not be eligible to subscribe to (i) foreign currency convertible bonds and (ii) ordinary shares through global depository receipts under the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993.

Transfer of shares and convertible debentures of an Indian company by a person resident outside India

Subject to what is stated below, a person resident outside India may transfer the shares or debentures held by him in Indian companies in accordance with the Regulations. A non-resident or a non-resident Indian may transfer by way of sale the shares or convertible debentures held by him to any other non-resident or a non-resident Indian, respectively, without the prior approval of the RBI. Approval from the FIPB may, however, be required by the transferee. If the transferee has an existing or previous venture or joint venture in India through investment in shares or debentures, or a technical collaboration, trade mark agreement or investment by whatever name in the same field or a similar field, other than in the information technology field, to that in which the Indian company whose shares are being transferred is engaged, approval from the FIPB would be required. Further, a non-resident may transfer any security held by him to a person resident in India by way of gift.

Under the FEMA, no approval from the RBI is required for the sale of shares by a non-resident person (including a non-resident Indian) to a resident of India. Notification to the RBI is made in Form FC-TRS, in respect of such transfers of shares, in which information as to the transferor, the transferee, the shareholding structure of the Indian company whose shares are to be sold, the sale price per share, and other information is provided.

In the event that the acquisition of shares as mentioned above exceeds the limits prescribed, the Takeover Code may apply. (See “Indian Securities Market”).

Transfer of shares of an Indian company would be subject to capital gains in the hands of the transferor (See “Taxation — Indian Tax”).

A non-resident Indian holding the shares or convertible debentures of an Indian company, pursuant to recent changes to the Regulations, is permitted to sell such shares or debentures on a recognised Indian stock exchange through a registered broker. Any non-resident person seeking to sell shares received upon surrender of GDRs or transfers such shares within India, whether or not through the BSE, or any other stock exchange, should seek advice from Indian legal advisers as to any applicable requirements.

Issue of GDRs

The Ministry of Finance, through the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 (the “Depository Receipt Scheme”) allows Indian companies to issue GDRs. This notification has been amended from time to time by the Ministry of Finance, and certain relaxations in the guidelines have been notified by the RBI. The Regulations provide that an Indian company may issue GDRs to a person resident outside India through a depository under the automatic investment route of the Government of India, subject to the approval of the Ministry of Finance, in certain cases. An Indian company issuing GDRs is required to comply with certain reporting requirements.

Transfer of GDRs and Surrender of GDRs

A person resident outside India may transfer GDRs in Indian companies to another person resident outside India without any permission. A person resident in India is not permitted to hold the GDRs of an Indian company.

A GDR Holder is permitted to surrender GDRs held by him in an Indian company and to receive the underlying equity shares under the terms of a deposit agreement. Under Indian regulations the re-deposit of these equity shares with a depository to obtain GDRs may not be permitted.

Fungibility of GDRs

The Ministry of Finance has granted general permission for the transfer of GDRs outside India and has permitted non-resident GDR Holders to surrender their GDRs in exchange for the deposited shares.

In March 2001, the RBI amended the Regulations and established two alternative methods to allow equity shares to be converted into and sold as GDRs.

Purchase on the Stock Exchange

Pursuant to this amendment, a registered broker in India can purchase shares of an Indian company that has issued shares evidenced by depository receipts, on behalf of a person resident outside India, for the purpose of converting the shares into shares evidenced by depository receipts. However, such conversion of equity shares into shares evidenced by depository receipts is possible only if the following conditions are satisfied:

- the shares are purchased on a stock exchange recognised by the SEBI;
- the shares are purchased with the permission of the Custodian for the shares evidenced by depository receipts offering of the Indian company and are deposited with the Custodian;
- the shares purchased for conversion into depository shares do not exceed the number of shares that were released by the Custodian pursuant to conversions of depository shares into shares under the Deposit Agreement; and
- the non-resident investor, the broker, the Custodian and the Depository comply with the provisions of the Depository Receipt Scheme and the related guidelines issued by the Government from time to time.

Sponsored GDR facilities

By notification dated 23 November 2002, the RBI has permitted existing shareholders of Indian companies to sell their shares through the issuance of GDRs against the block of existing shares of the Indian company, subject to the following conditions:

- The facility to sell the shares would be available *pari passu* to all categories of shareholders;
- The sponsoring company whose shareholders propose to divest existing shares in the overseas market through the issue of GDRs will give an option to all its shareholders indicating the number of shares to be divested and the mechanism of determining the price under the GDR norms. If the shares offered for divestment are more than the pre-specified number to be divested, shares would be accepted from the existing shareholders in proportion to their existing shareholdings;
- The proposal for divestment of the shares has to be approved by a special resolution of the Indian company;
- The proceeds of the GDR issue raised abroad have to be repatriated into India within a period of one month from the closing of the issue. However, the proceeds of the GDR issue can also be retained abroad to meet the future foreign exchange requirements of the company and, by a recent notification, this facility has been extended indefinitely until further notice; and
- The issue-related expenses in relation to the public issue of GDRs under this scheme have to be subject to a ceiling of 4% of the issue size, in the case of public issues, and 2% of the issue size, in

the case of private placements. The issue related expenses would include underwriting commissions, lead managers' charges, legal expenses and reimbursable expenses. The issue expenses shall be passed on to the shareholders participating in the sponsored issue on a pro-rata basis.

Obligations of the Custodian

The RBI has prescribed that the domestic custodians are the entities required to ensure compliance with the RBI guidelines and to file reports with the RBI from time to time. The domestic custodians are also required to perform certain functions, including the following:

- provide a certificate to the RBI and the SEBI stating that the sectoral ceilings for foreign investment in the relevant company have not been breached;
- monitor the total number of GDRs that have been converted into underlying shares by non-resident investors;
- liaise with a company to ensure that the foreign investment restrictions, if any, are not being breached; and
- file a monthly report with the RBI and the SEBI concerning the GDR transactions under the two-way fungibility arrangement.

TAXATION

The following summary is based on current Indian tax laws. The summary does not purport to deal with all aspects of taxation that may be relevant to particular investors in light of their investment or tax circumstances. Prospective investors should consult their own advisers concerning the tax consequences of an investment in the GDRs and the Shares. The summary is based on the taxation law in force at the date of this Listing Prospectus and is subject to change.

Indian Taxation

The following is a summary of the Indian tax consequences of an investment in the GDRs and Shares by investors who are not resident in India. This summary is not a complete guide on the tax consequences under Indian law with respect to the acquisition, ownership or sale of the GDRs or of other transactions involving the GDRs or of the redemption of GDRs into Shares or the sale of the Shares by non-resident investors. Prior to making a decision to invest, potential investors should, therefore, consult their own tax advisers on the tax consequences of such transactions under Indian law, the law of the jurisdiction of their residence and any tax treaty between India and their country of residence.

The Income Tax Act is the law relating to taxes on income in India. The Income Tax Act provides for the taxation of persons resident in India on global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arisen in India. Sections 4, 5, 6 and 9 of the Income Tax Act set forth the circumstances under which persons not resident in India are subject to income tax in India.

Residence for the Purpose of the Indian Income Tax Act

For the purpose of the Income Tax Act, an individual is said to be resident in India if, in any year ended 31 March, the individual: (i) is in India for 182 days or more; or (ii) having been in India for 365 days or more, during the four years preceding that year ended 31 March and is in India for 60 days or more in that year ended 31 March. However, in the case of an Indian citizen or a person of Indian origin who is not resident in India and visits India during the fiscal year or, an Indian citizen who leaves India as a member of a crew of an Indian ship or for the purpose of employment outside India during the year ended 31 March, the 60 day period in (ii) above is extended to 182 days.

A company is resident in India in any year ended 31 March, if it is an Indian company or if during that year control and management of its affairs is situated wholly in India.

An Indian company means a company formed and registered under the Companies Act and includes a company formed and registered under any law relating to companies formerly in force in India or, a corporation established by or under a Central, State or Provincial Act of India or, an institution, association or a body declared by the Central Board of Direct Taxes of India to be a company for the purpose of the Income Tax Act, provided that the registered office or, as the case may be, the principal office of the company, corporation, institution, association or body is in India.

A firm or other association of persons, and every other person is regarded as resident in India except where, during the year ended 31 March, the control and the management of its affairs are situated wholly outside India.

Taxation of Income from GDRs

Section 115AC of the Income Tax Act (read with other applicable provisions of the Income Tax Act) constitutes a special tax regime for taxes on income from GDRs (issued under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through the Depository Receipt Mechanism) Scheme, 1993) (the "Scheme") purchased in foreign currency through an approved intermediary and capital gains arising from their transfer. The concessional tax treatment provided under section 115AC of the Indian Income Tax Act is

applicable only to GDRs falling within the purview of the said section and not in relation to the Shares issued upon conversion of the GDRs.

Taxation on Dividend Distributions

Under the current Indian tax laws, dividends are not taxable in the hands of the recipient and hence after withdrawal of shares from the depository facility under the Depository Agreement, dividends to such non-resident holder will not be liable to tax. However, the Company will be liable to pay a “dividend distribution tax” currently at the rate of 15 % excluding the presently applicable surcharge, of 1.125 and an education cess of 0.3225 and 0.16125 secondary and higher education cess resulting in an effective rate of 16.60875% of the total amount of the dividend declared, distributed or paid.

Taxation on Transfer of GDRs

The transfer of GDRs falling within the purview of section 115AC of the Income Tax Act between non-resident investors outside India are free from any liability to income tax in India on capital gains therefrom. It is unclear whether capital gains derived from the sale of rights by a non-resident investor to another non-resident investor will be subject to tax liability in India. This would depend on the view taken by Indian tax authorities on the position with respect to the status of the rights being offered under the GDRs.

Taxation on acquisition of Shares upon conversion of GDRs into Shares

The conversion of the GDRs into Shares by a non-resident investor does not give rise to a taxable event for Indian income tax purposes.

Taxation on Sale of Shares

Capital gains arising to the non-resident investor on the transfer of the shares (whether in India or outside India to non-resident investor) will be liable to income tax under the provisions of the Indian Income Tax Act.

If the Shares (including shares issuable on the conversion of GDRs) are held by the non-resident investor for a period of more than 12 months from the date of advice of their redemption by the depository, the capital gains arising on the sale thereof is to be treated as long term capital gains and will not be subject to income tax. As per the existing Finance Act, 2010, long term capital gains tax on listed securities is nil. The Shares are held for a period of less than 12 months from the date of redemption advice, the capital gains arising on the sale thereof is to be treated as short term capital gains and will be subject to tax at the rate of 15% plus surcharge plus educational cess.

The provisions of the Agreement for Avoidance of Double Taxation entered into by the Government of India with the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor.

Neither section 115AC of the Indian Income Tax Act nor the Scheme deals with capital losses arising on a transfer of shares in India. However under the Indian Income Tax Act, losses arising from a transfer of a capital asset in India can only be set off against capital gains. A long term capital loss can be set off only against a long term capital gain. A short-term capital loss can be set off against capital gain. To the extent that the losses are not absorbed in the year of transfer, they may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first computed and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off capital losses as above, the non-resident investor would be required to file appropriate and timely tax returns in India and undergo the usual assessment procedures.

Securities Transaction tax

Securities transaction tax is a charge on the taxable securities transactions specified in the table below. The rates of securities transaction tax are as follows:

S.No.	Taxable Securities Transaction	Rate	Payable by
1.	Purchase of an equity share in a company or a unit of an equity oriented fund, where (a) such purchase is transacted on a stock exchange recognised by the SEBI; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125%	Purchaser
2.	Sale of an equity share in a company or a unit of an equity oriented fund, where (a) such sale is transacted on a stock exchange recognised by the SEBI; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125%	Seller
3.	Sale of an equity share in a company or a unit of an equity oriented fund, where (a) such sale is transacted on a stock exchange recognised by the SEBI; and (b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit.	0.025%	Seller
4.	Sale of a unit of equity and equity oriented fund to a mutual fund	0.25%	Seller
5.	Sale of an option in goods or an option in commodity derivative.	0.017%	Seller
6.	Sale of an option in goods or an option in commodity derivative, where an option is exercised.	0.125%	Buyer
7.	Sale of any other commodity derivative.	0.017%	Seller

Taxation on Buyback of Equity Shares

If the shares held by the non-resident investor are purchased by the issuing company from the non-resident investor, the non-resident investor will be liable to income tax in respect of the capital gains arising on such buyback pursuant to the provisions of the Income Tax Act and capital gains tax arising therefrom shall be withheld at source before repatriation of sale proceeds from India. The provisions of any applicable agreement for avoidance of double taxation entered into by the Government with the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor. (See "Taxation on Sale of Shares").

Taxation of Payment on Liquidation or Reduction of Capital

If any distribution is made by the Company to Shareholders or GDR Holders on its liquidation or on the reduction of its capital, to the extent to which the distribution is attributable to the accumulated profits of the issuing company, the same will be treated as deemed dividend income in the hands of the Shareholders or GDR Holders and will be subject to income tax in India. However, tax on such deemed dividend will be paid by the company. Any gains accruing to the Shareholder or GDR Holders on liquidation or reduction of capital of the issuing company, in excess of such accumulated profits will be liable to income tax as capital

gains in the hands of the Shareholder or GDR Holder pursuant to the provisions of the Income Tax Act. The provisions of any applicable agreement for avoidance of double taxation entered into by the Government with the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor. (See “Taxation on Sale of Shares”).

Taxation of Bonus Shares and Right Shares

The issue of right shares or bonus shares to the shareholders or GDR Holders will not give rise to a taxable event for income tax purposes. The shareholders or the GDR Holders will be subject to capital gains tax liability pursuant to the provisions of the Income Tax Act on the transfer of right shares or bonus shares. The provisions of the agreement for avoidance of double taxation entered into by the Government of India with the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor. (See “Taxation on Sale of Shares”).

Withholding Tax

Capital gains arising to non-resident investors on the transfer of the Shares in India will be subject to a withholding tax at applicable rates (see “Taxation on Sale of Shares”). However, pursuant to the provisions of section 196D (2) of the Indian Income Tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to FIIs on the transfer of securities defined in section 115AD of the Income Tax Act. The provisions of any applicable agreement for avoidance of double taxation entered into by the Government with the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor.

Tax Treaties

Currently, dividend income is not subject to tax in India in the hands of the holder of the Shares. If any Shares are held by a non-resident investor following withdrawal thereof from the depository facility under the Deposit Agreement, any double taxation treaty if any, entered into by India with the country of residence of such non-resident investor, will be applicable to taxation of interest, tax credit with respect to any taxes paid by the Company and any tax on capital gain arising from transfer of such Shares.

Stamp Duty

The sale of an equity share in physical form is subject to Indian stamp duty at the rate of 0.25% of the value of the equity shares on the trade date, and such stamp duty is customarily borne by the transferee, that is, the purchaser. However, since the Company’s equity Shares are not in physical form, there would be no stamp duty payable in India on transfer of these equity Shares. There is no stamp duty liability on the sale or transfer of GDRs.

Other Taxes

At present, there is no wealth, gift or inheritance taxes, which may apply to the GDRs and the redeemed equity shares.

Service Tax

Brokerage or commissions paid to stockbrokers in connection with the sale or purchase of shares listed on a recognised stock exchange in India are subject to a service tax of 10.3% (including education cess). The stockbroker is responsible for collecting the service tax and paying it to the relevant authority.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE INDIAN AND OTHER LOCAL TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR GDRs

Shares Eligible for Future Sale

Sales of a substantial number of equity Shares into the public market following this offering, on the BSE or NSE by conversion of outstanding GDRs into equity shares could adversely affect the market price of the GDRs due to underlying share price fluctuations.

Upon completion of this offering, _____ equity Shares will be issued.

Pricing of the Offering

The offering price will be determined by negotiations between the Company, the Lead Manager and the representatives of the purchasers. Among the factors considered in determining the offering price will be the future prospects of the Company and its industry in general, sales, earnings and certain other financial operating information of the Company in recent periods, the price-earnings ratios, price-sales ratios, and the market prices of securities in the Indian Stock Exchanges and the Euro MTF Market of the Luxembourg Stock Exchange and certain financial and operating information of companies engaged in activities similar to those of the Company.

Legal Matters

The validity of the underlying equity shares represented by the GDRs offered hereby and certain other matters in connection with the Offering will be opined upon by FoxMandal Little Solicitors & Advocates, India, as Indian counsel for the Company and by Porter & Co. as English counsel to the Company.

Experts

The Indian GAAP based audited financial statements of the Company as of 31 December 2010, 31 December 2009 and 31 December 2008 have been included herein in reliance upon the report of H. S. HATHI & CO. Chartered Accountants as independent accountants, and upon the authority of said firms as experts in auditing and accounting.

Placement of the GDRs

[•] GDRs are to be offered to and placed with institutional investors by the Company with the assistance of Pan Asia Limited. The Company will place and procure payment for the Shares represented by the GDRs at the issue price of US\$ [•] per GDR. Subject to the issue of the GDRs, the Company will pay to the Lead Manager a service remuneration of as stated in their engagement letter USD 75,000/-

GENERAL INFORMATION

1. The issue of Shares represented by the GDRs and the issue of this Listing Prospectus have been authorized and approved by an EGM of the Shareholders held on 30 June 2010.

Further, the Board of the Company vide resolution dated _____ have approved the opening of the GDR issue as per the revised pricing guidelines.

2. The Company will issue the Shares to the Depository pursuant to the Deposit Agreement on the Closing Date (as defined in the Placing Agreement). On the Closing Date the Company will deliver a share certificate in the Depository's name to the Custodian. The Depository will issue GDRs in respect of the Shares.
3. Application has been made to admit the GDRs to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. Immediately following the Closing Date, application will be made to list the Shares on the Indian Stock Exchanges. There is no assurance that such listings will be granted or maintained.
4. Copies of the updated incorporation documents including certificate of incorporation of the Company, and Copies of the Memorandum of Association and Articles of Association of the Company and of the Depository, the Deposit Agreement and the Placing Agreement will be available for inspection at Euram Bank Asia Limited, located at 915-916, Liberty House, Sheikh Zayed Road, Dubai, U.A.E. free of charge and would also be available for inspection at the Registered Office of the Company free of charge; and, for so long as the GDRs are listed on the official list of the Luxembourg Stock Exchange and traded on the Euro MTF market of the Luxembourg Stock Exchange, copies of the audited annual reports to Shareholders and copies of the unaudited semi-annual & quarterly financial statements of the Company in each case, in English and this Listing Prospectus, may be obtained free of charge at that office and from the company's website www.sterlinggelatin.com.
5. For so long as the GDRs are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market of the Luxembourg Stock Exchange, the Company will publish all notices to holders of the GDRs on the website of the Luxembourg Stock Exchange (www.bourse.lu). Euram Bank Asia Limited, located at 915-916, Liberty House, Sheikh Zayed Road, Dubai, U.A.E. will, for so long as the GDRs are listed on the Luxembourg Stock Exchange, serve as an intermediary between the Luxembourg Stock Exchange and persons connected with the issue and listing of the GDRs.
6. There has been no material adverse change in the financial position of the Company since 31 December 2010, the date to which the audited financial information in this document has been prepared. The Placing Agreement and the Deposit Agreement are governed by the laws of England and Wales.
8. The Exchange Control Department of the RBI will be furnished with full particulars of the Placing, including the percentage of foreign shareholding in the Company, within 30 days after the issue of the GDRs. A copy of this document will be delivered to the Registrar of Companies, Delhi for their records.
12. The Existing GDRs from time to time evidenced by one or more Master GDRs have been accepted for clearance and settlement in Euroclear and Clearstream, Luxembourg. The Common Code for the Existing GDRs is 017757709 The ISIN for the Existing GDRs is US85916G1085. The temporary

common code for the New GDRs is _____. The Temporary ISIN for New GDRs is US85916G2075 and temporary CUSIP for New GDRs is 85916G207.

10. The company has filed an application for admission on the Official List and to trading on the Euro MTF market of the Luxembourg Stock Exchange on 6 October 2003 under the ISIN and CUSIP codes in clause 9 above for 2,328,045 GDRs.
 - (i) Due to Sub-division of Face Value of Shares from Rs. 2/- to Rs. 1/- per share, in March 2005, GDRs doubled to 4,656,090.
 - (ii) The company has issued 687,502 GDRs out of conversion of FCCB 2004-2009.
 - (iii) The company has issued 2,946,171 GDRs out of conversion of FCCB 2005-2010.
 - (iv) The total Listed GDRs from the previous issue (including additional GDRs issued out of FCCB conversion) is 8,289,763 as on the date of this prospectus.
 - (v) The maximum 5,771,470 GDRs can be issued in future out of conversion of FCCBs due 2012.

These previous GDRs were issued at a ratio of 1 GDR equal to 6 shares of the Company

11. The Auditors of the Company are H.S.Hathi & Co., Chartered Accountants who audited the accounts for the years ended 31 December 2010, 31 December 2009, 31 December 2008.
12. The Company has taken in principal approval for the listing of the Shares underlying the GDRs from the following Stock Exchanges:

BSE, pursuant to letter dated	1 November 2010
NSE, pursuant to letter dated	1 November 2010
13. Simultaneously with the creation of shares for which admission to trading is being sought, no shares of the same class have been subscribed for or placed privately.
14. The Company does not have any other registered office or principal administrative establishment, except the registered office of the Company, other than its factories at Vadodara and Ooty.
15. The Company is not dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.
16. As the Company is engaged in the Gelatin industry, there have been no significant policies on the research and development of new products and processes over the past three financial years that has bearing on the operations of the Company.
17. No shareholder is holding, directly or indirectly, 10% or more of the share capital of the Company, except promoters of the Company, except Bank of New York Mellon as Depository holding shares on behalf of the GDR holders.
18. The Company has not committed to any principal future investments
19. The Basic earnings per share of the Company after tax, for the year ended 31 December 2010, was Rs. 5.69 per share, 31 December 2009 was Rs. 9.47 per share and 31 December 2008 was Rs. 9.38 per share,.
20. There has been no interruption in the business of the Company, which may have any significant effect on the financial position of the Company in the recent past.
21. During the financial year ended 31 December 2010 and during the current financial year, no public takeover or exchange offers by third parties have been made in respect of the Company's shares.

Further, during the financial year ended 31 December 2010 and during the current financial year, no public exchange offers have been made by the Company in respect of the shares of other companies.

22. The Company or another company, in which the Company has a direct or indirect holding of more than 50%, does not hold any shares of the Company.
23. No loans/ Guarantees have been granted by the Company to the members of administrative, management or supervision bodies for their benefit.
24. Except the Promoters and the Promoter companies, there are no such people who, directly or indirectly, severally or jointly, exercise or could exercise control over the Company.
25. As on 30 June 2011 the total issued, subscribed, called up and paid up equity share capital of the Company stood at 271,597,590 equity shares of Rupee 1/- each (of which 267,873,590 equity shares are fully paid up)
26. The Financial Statements of the Company have been prepared in accordance with the principles and procedures required for the preparation and presentation of financial statements as laid down under the accounting standards issued by The Institute of Chartered Accountants of India.
27. The average number of persons employed in the last three financial years is 782. There is no material change in the employed persons during the last three financial years.
28. On 30th June 2011, the Company does not have any convertible debt securities, exchangeable debt securities or debt securities with warrants attached, other than outstanding FCCB of USD 134.50 million, which were issued May 2007 due to mature in May 2012.
29. The Non-Consolidated financial statements of the Company have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Non-Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

**SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN
INDIAN GAAP, UK GAAP, US GAAP AND IAS**

The audited and non-consolidated financial statements of the Company included in this Listing Prospectus are prepared in accordance with Indian GAAP, which in certain material respects differs from US GAAP and UK GAAP. The following is a summary of the material differences between Indian GAAP, US GAAP and UK GAAP, insofar as they are relevant to the audited and non-consolidated annual financial statements of the Company presented in this Offering. This summary does not address all disclosure-, presentation and classification differences between IAS, Indian GAAP, UK GAAP and US GAAP and should not be construed to be exhaustive. In addition, the Company has made no attempt to identify future differences between IAS and Indian GAAP, UK GAAP and US GAAP as a result of prescribed changes in accounting standards that may affect the Company's non-consolidated and audited financial statements. Regulatory bodies that promulgate IAS, Indian GAAP, UK GAAP and US GAAP have significant projects ongoing that could affect future comparisons of IAS, Indian GAAP, UK GAAP and US GAAP. The Company has made no attempt to identify all future differences between IAS and Indian GAAP, UK GAAP and US GAAP that may affect its non-consolidated and audited financial statements as a result of transactions or events that may occur in the future.

Subject	Indian GAAP	UK GAAP	US GAAP	IAS
Consolidation of Subsidiaries	Consolidation is required	Consolidation is required	Consolidation is required	Consolidation is required
Equity Method	Equity method is not used for Associated Companies. Investments are carried at cost	Investments in associated companies are accounted under Equity method	Investments in associated companies are accounted under Equity method	Investments in associated companies are accounted under Equity method
Earnings per Share	AS 22 provides the standard method for determining earnings per share which are to be disclosed	Information regarding earnings per share is required to be disclosed. (Adjustments for bonus and future dilution are to be made.)	Information regarding earnings per share is required to be disclosed. (Adjustments for bonus and future dilution are to be made.) Earnings per share both before and after extraordinary items are reported.	Information regarding computation of weighted average earnings per share is to be given.
Cash flow statement	For fiscal years prior to 1996, a cash flow statement was not required. However, with effect from	Cash flow statement is required	Cash flow statement is required	Cash flow statement is required

	fiscal year 1996, Companies listed on Indian Stock Exchanges are required to furnish cash flow statements as part of listing agreement with stock exchanges.			
Asset lives	Depreciation rates are prescribed in the Companies Act for minimum depreciation provision for the purpose of payment of dividend out of profit for the year. Asset lives are not prescribed by the Companies Act but can be derived from the depreciation rates. Where applicable, higher depreciation based on useful life of the asset is required to be provided	Depreciation rates are derived on the basis of the useful economic life of the asset	Depreciation rates are derived on the basis of the useful economic life of the asset. Long lived assets and certain identifiable intangibles to be held and used by an entity must be reviewed for impairment whenever events indicate that the carrying amount of an asset may be recoverable if the sum of the expected future cash flows (undiscounted and without interest charges) expected to result from use of the asset is less than the carrying amount of the asset. In such case, an impairment loss is recognised.	Depreciation is based on economic useful lives of assets. Impairment needs to be provided for when required in the accounts.
Deferred taxation	Provision is to be made for deferred tax liability or deferred tax credit. The provision for taxation is based on the estimated tax liability currently payable.	Timing differences are identified and provision is made for deferred taxation using the liability method for such timing differences to extent that a tax payment receipt is expected to arise in near future.	Timing differences, including general allowances for bad and doubtful loans and tax loss carry forwards, are identified and provision is made for deferred taxation using the liability method for such timing differences to the extent that a tax payment or receipt is expected to arise. Valuation allowances are required against	Timing differences are identified and provision is made for deferred taxation using the liability method.

			deferred tax assets which are not expected to be realised.	
Investments	Current investments are to be carried at the lower of cost and fair value and long-term investment at cost, except for other than temporary decline in value. The aggregate market values of quoted long-term investments are required only to be disclosed, not adjusted.	Fixed asset investments are stated at cost (with provision for permanent diminution in value) or valuation adjusted for amortisation of any premium or discount. Trading securities are recorded at market value.	Debt and equity securities must be classified as trading, held to maturity and available for sale. Securities held to maturity are stated at cost adjusted for any amortisation of premium or discount and subject to any provision for permanent diminution in value. Trading securities are held at market value and profits and losses arising from revaluation are taken to the profit and loss account. Available for sale securities are reported at market value with net unrealised gains and losses excluded from earnings and reported as a separate component of share Holders equity.	IAS 39 financial assets are initially measured at cost. Financial assets are classified into four categories – (1) held for trading (2) held to maturity (3) available for sale. (4) Loans and receivable originated by the enterprises. After initial measurement at cost subsequent measurement /carrying amount at fair value except financial assets (a) held to maturity (b) loans and receivable originated by the enterprises. Held to maturity investments is measured for carrying purpose at amortised cost.
Foreign currency translation	Gain and losses arising on translation of long-term foreign currency liabilities incurred to finance the purchase of fixed assets, adjusted against the carrying cost of relevant assets and depreciation is provided thereon. Gains and losses from foreign currency losses from foreign currency translations and translation of foreign	Gains and losses arising on translation of foreign currency transactions have to be taken to profit and loss account. Where a company has used foreign currency borrowings to finance foreign equity investments or to provide a hedge against exchange risk associated with existing foreign exchange	Gains and losses arising on translation of foreign currency transactions have to be taken to profit and loss account.	Gains and losses arising on translation of foreign currency has to be taken to profit and loss account. Where a company has used foreign currency borrowing to finance foreign equity investments or to provide a hedge against exchange risk associated with existing foreign exchange investments, it may denominate such

	currency balances (apart from loans/liabilities relating to fixed assets) are taken to profit and loss account (AS-11 has since been revised wherein the gain or loss relating to fixed assets not to be capitalised) for the transaction entered into after 1-4-04.	investments, it may denominate such investments in the appropriate foreign currency. Subject to certain conditions, exchange differences arising on translation should be taken direct to reserves together with differences arising on related borrowings.		investment in the appropriate foreign currency. Subject to certain conditions, exchange differences arising on translation should be taken direct to reserves together with differences arising on related borrowings.
Analysis by business segment.	There is requirement to disclose information for segments of the business.	Disclosure has to be made of turnover, net assets and profit before tax in respect of each class of business and geographical segment.	Disclosure has to be made of turnover, net assets and profit before tax in respect of each class of business and geographical segment.	Disclosure has to be made of turnover in respect of each class of business.
Changes in accounting policy and prior period items.	Changes in accounting policies and prior period items are reported on a prospective, if material, basis beginning with the year of change.	Changes in accounting policies and prior period items are accounted for by restating the comparative figures for preceding period in the primary statement and notes and adjusting the opening balance of reserves for the cumulative effect.	Prior period items are accounted by restating prior years and adjustment to retained profits. Changes in accounting policies are not accounted by restating prior years but the effect of such changes is separately disclosed in the profit and loss account.	Prior period items are accounted by restating prior years and adjustments to retained profits. The effect of change in accounting policies is disclosed separately in the profit and loss account.
Share issue expenses.	Share issue expenses can be written off when incurred or charged to the share premium account or can be accounted for as deferred revenue expenses and amortised.	Issues costs must be treated as a part of net proceeds either from the issue or equity.	Direct costs of issuing share capital are deducted from the related proceeds and the net amount is recorded in shareholders equity.	Direct cost of issuing share capital are deducted from the related proceeds and the net amount is recorded in shareholders equity.
Proposed dividends.	Proposed dividends are reflected in the financial statements of the year to which	Proposed dividends are reflected in the financial statements of the year to which	Dividends are a charge to retained earnings at the point of time that they are	Dividends are a charge to retained earnings at the point of time they are

	they relate even though proposed or declared after the year end.	they relate even though proposed or declared after the year end.	formally declared by the Board of Directors.	formally declared by the Board of Directors.
Defined retirement benefit to employees.	Contributions are reflected in the profit and loss account.	Contributions are reflected in the profit and loss account.	Contributions are reflected in the profit and loss account.	Contributions are reflected in the profit and loss account.
Income recognition.	Incomes are recognised on an accrual basis.	Incomes are generally recognised on an accrual basis.	Incomes are generally recognised on an accrual basis.	Income is recognised on an accrual basis.
Contingencies and provisions.	Provision for Income tax and provisions for dividend are disclosed in the financial statements. Provisions on advances and depreciation on investments are made and disclosed in the financial statements under appropriate heads.	Provisions on advances and depreciation on investments are made and disclosed in the financial statements under appropriate heads. General provisions or reserves for future losses are not permitted.	Provision on advances and depreciation on investments are made and disclosed in the financial statements under appropriate heads.	

INDEX TO FINANCIAL STATEMENTS

Particulars	Page No
Non-Consolidated And Audited Balance Sheet for 31 December 2010, 31 December 2009 and 31 December 2008	
Non- Consolidated And Audited Profit And Loss Account for 31 December 2010,31 December 2009 and 31 December 2008	
Schedules forming part of balance sheet and profit and loss account	
Significant accounting policies and notes to accounts forming part of balance sheet as at 31 December 2010,	
Cash Flow Statement for the year ended 31 December 2010, 31 December 2009 and 31 December 2008	
Independent Auditors Report and Annexure to the Auditors Report of the Company for the years ended 31 December 2010,31 December 2009 and 31 December 2008	
Non- Consolidated and un-audited financial results for the three months ended 31 March 2011	

**NON-CONSOLIDATED AND AUDITED BALANCE SHEET AS AT 31 December 2010, 31
DECEMBER 2009 and 31 DECEMBER 2008**

(Amount in Million)

	As at 31st Dec 10 (Rs.)	As at 31st Dec 10 USD	As at 31st Dec 09 (Rs.)	As at 31st Dec 09 USD	As at 31st Dec 08 Rs.	As at 31st Dec 08 USD
SOURCES OF FUNDS						
1. Shareholders' Funds :						
Share Capital	267.87	6.02	250.20	5.62	243.80	5.48
Reserves & Surplus	24,441.53	549.00	20,453.05	459.41	17,035.96	382.66
				-		-
	24,709.40	555.02	20,703.25	465.03	17,279.76	388.13
2. Loan Funds				-		-
Secured Loans	27,911.45	626.94	18,257.73	410.10	7,887.02	177.16
Unsecured Loans	9,526.95	213.99	12,650.98	284.16	18,808.27	422.47
	37,438.40	840.93	30,908.70	694.27	26,695.30	599.62
3. Deferred Tax Liability	3,118.20	70.04	2,808.20	63.08	2,473.20	55.55
TOTAL FUNDS EMPLOYED	65,266.00	1,465.99	54,420.15	1,222.38	46,448.26	1,043.31
APPLICATION OF FUNDS						
1. Fixed Assets						
Gross Block	35,726.28	802.48	29,569.15	664.18	27,098.55	608.68
Less : Depreciation	7,277.43	163.46	5,301.22	119.07	4,070.80	91.44
Net Block	28,448.84	639.01	24,267.94	545.10	23,027.75	517.25
Capital Work-In-Progress	12,627.76	283.64	9,736.64	218.70	7,680.18	172.51
	41,076.60	922.66	34,004.58	763.80	30,707.93	689.76
2. Investments	3,639.29	81.75	2,747.49	61.71	3,062.05	68.78
3. Current Assets, Loans and Advances						
Current Assets						
Inventories	6,855.10	153.98	5,644.02	126.78	3,447.32	77.43
Sundry Debtors	6,764.10	151.93	5,918.93	132.95	4,127.74	92.72
Cash and Bank Balances						

	1,583.72	35.57	1,292.36	29.03	1,023.37	22.99
	15,202.93	341.49	12,855.31	288.75	8,598.43	193.14
Loans & Advances	6,495.36	145.90	5,654.73	127.02	4,818.32	108.23
	21,698.29	487.38	18,510.04	415.77	13,416.75	301.36
Less :						
Current Liabilities & Provisions						
Current Liabilities	650.42	14.61	483.31	10.86	456.14	10.25
Provisions	558.70	12.55	497.61	11.18	522.37	11.73
	1,209.12	27.16	980.92	22.03	978.50	21.98
Net Current Assets	20,489.17	460.22	17,529.13	393.74	12,438.25	279.39
4. Miscellaneous Expenditure	60.94	1.37	138.96	3.12	240.03	5.39
TOTAL ASSETS	65,266.00	1,465.99	54,420.15	1,222.38	46,448.26	1,043.31

**NON-CONSOLIDATED AND AUDITED PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED 31 December 2010, 31 DECEMBER 2009 and , 31 DECEMBER 2008**

(Amount in Million)

	As at	As at	As at	As at	As at	As at
	31st Dec 10	31st Dec 10	31st Dec 09	31st Dec 09	31st Dec 08	31st Dec 08
	(Rs.)	USD	(Rs.)	USD	Rs.	USD
<u>INCOME</u>						
Sales	16,165.78	363.11	14,381.73	323.04	11,783.81	264.69
Other Income	106.38	2.39	88.64	1.99	100.33	2.25
TOTAL	16,272.16	365.50	14,470.37	325.03	11,884.13	266.94
<u>EXPENDITURE</u>						
(Increase)/Decrease in Stocks	(933.23)	(20.96)	(1,713.01)	(38.48)	31.31	0.70
Material Cost	8,938.79	200.78	9,920.66	222.84	5,729.41	128.69
Employees Cost	437.15	9.82	401.72	9.02	352.25	7.91
Manufacturing & Other Expenses	752.25	16.90	717.20	16.11	657.82	14.78
Interest and Finance Charges	2,304.71	51.77	1,494.38	33.57	592.07	13.30
Depreciation	1,976.22	44.39	1,230.42	27.64	1,071.52	24.07
TOTAL	13,475.88	302.69	12,051.38	270.70	8,434.38	189.45
PROFIT BEFORE EXTRAORDINARY ITEM & TAXATION	2,796.28	62.81	2,418.99	54.34	3,449.76	77.49
Extraordinary Item	631.05	14.17	(620.51)	(13.94)	113.26	2.54
PROFIT AFTER EXTRAORDINARY ITEM BUT BEFORE TAXATION	2,165.23	48.63	3,039.51	68.27	3,336.49	74.94
Provision for current tax	402.00	9.03	350.00	7.86	375.00	8.42
Provision for deferred tax	310.00	6.96	335.00	7.52	755.00	16.96
Provision for Fringe Benefit Tax	0.00	0.00	12.50	0.28	47.50	1.07
PROFIT FOR THE PERIOD	1,453.23	32.64	2,353.26	52.86	2,201.74	49.46
Prior Year Adjustment	8.84	0.20	16.70	0.38	(9.93)	(0.22)
PROFIT AVAILABLE FOR APPROPRIATION	1,462.07	32.84	2,369.95	53.23	2,191.81	49.23

PROPOSED DIVIDEND	133.94	3.01	125.10	2.81	121.90	2.74
DIVIDEND TAX	22.76	0.51	21.26	0.48	20.72	0.47
TRANSFER TO DEBENTURE REDEMPTION RESERVE	107.14	2.41	107.14	2.41	107.14	2.41
TRANSFER TO GENERAL RESERVE	1,198.23	26.91	2,116.45	47.54	1,942.05	43.62
BASIC EARNINGS PER SHARE	5.69	0.13	9.47	0.21	9.38	0.21
DILUTED EARNINGS PER SHARE	5.01	0.11	7.77	0.17	6.99	0.16
(Refer Note No. B-5 of Schedule 15)						

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
(Amount in Million)

	As at 31st Dec 10 (Rs.)	As at 31st Dec 10 USD	As at 31st Dec 09 (Rs.)	As at 31st Dec 09 USD	As at 31st Dec 08 Rs.
SCHEDULE 1 - SHARE CAPITAL					
AUTHORISED					
500,000,000 Equity Shares of Rs.1/- each	500.00	11.23	500.00	11.23	500.00
(Previous year 500,000,000 Equity Shares of Rs. 1/- each)					
ISSUED					
271,597,590 Equity Shares of Rs. 1/- each	271.60	6.10	253.92	5.70	247.52
(Previous year 253,920,564 Equity Shares of Rs. 1/- each)					
SUBSCRIBED					
271,597,590 Equity Shares of Rs. 1/- each	271.60	6.10	253.92	5.70	247.52
(Previous year 253,920,564 Equity Shares of Rs. 1/- each)					
PAID UP					
Fully Paid-Up 267,873,590 Equity Shares of Rs.1/- each	267.87	6.02	250.20	5.62	243.80
(Previous year 250,196,564 Equity Shares of Rs. 1/- each)					
TOTAL	267.87	6.02	250.20	5.62	243.80
SCHEDULE 2 - RESERVE & SURPLUS					
General Reserve					
As per Last Balance Sheet	10,458.70	234.92	8,342.25	187.38	6,400.19
Add: Transferred from Profit & Loss Account	1,198.23	26.91	2,116.45	47.54	1,942.05
	11,656.93	261.84	10,458.70	234.92	8,342.25
Debenture Redemption Reserve	321.43	7.22	214.29	4.81	107.14
Share Premium Account	12,463.17	279.95	9,780.07	219.68	8,586.57
TOTAL	24,441.53	549.00	20,453.05	459.41	17,035.96
SCHEDULE 3 - SECURED LOANS					
Term Loans from Banks	7,421.73	166.71	5,691.33	127.84	488.45
(Secured by way of charge on Fixed Assets of the					

company, on pari passu basis)					
Redeemable Non-Convertible Debentures	2,850.00	64.02	3,000.00	67.39	3,000.00
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)					
External Commercial Borrowings					
a) ECB 2009 aggregating USD 90 million (Previous Year USD 90 Million)	4,032.90	90.59	4,201.20	94.37	-
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)					
b) ECB 2010 aggregating USD 128.5 million (Previous Year Nil)	5,758.09	129.34	-	-	-
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)					
Working Capital Borrowings from Banks	7,848.74	176.30	5,365.20	120.51	4,398.58
(Secured by way of first charge on Current Assets of the company, on pari passu basis)					
TOTAL	27,911.45	626.94	18,257.73	410.10	7,887.02
SCHEDULE 4 -UNSECURED LOANS					
Foreign Currency Convertible Bonds					
a) 0.50 % Convertible Bonds due 2010 (P.Y.: USD 93.67 Million, Convertible into Ordinary shares or GDRs representing Ordinary Shares)	-	-	4,372.52	98.21	5,257.79
b) Zero Coupon Convertible Bonds due 2012 (Aggregating to USD 134.50 Million (P.Y.: USD 134.5 Million) Convertible into Ordinary shares or GDRs representing Ordinary Shares)	6,026.95	135.38	6,278.46	141.03	11,550.48
Short Term Loan from Banks	3,500.00	78.62	2,000.00	44.92	2,000.00
TOTAL	9,526.95	213.99	12,650.98	284.16	18,808.27
SCHEDULE 6 - INVESTMENTS					

(At cost/carrying amount unless otherwise stated)					
In Units of Mutual Funds (Market Value Rs. 435 Lacs, Previous year Rs. 518 Lac)	54.76	1.23	63.72	1.43	383.50
In Shares (Quoted) (Market Value Rs. 270 Lacs, Previous year Rs. 276 Lac)	40.89	0.92	43.72	0.98	38.50
In Shares (Un-quoted AT COST)	3,543.65	79.60	2,640.05	59.30	2,640.05
TOTAL	3,639.29	81.75	2,747.49	61.71	3,062.05
SCHEDULE 7 - CURRENT ASSETS					
a) Inventories					
Raw Materials	1,570.96	35.29	1,312.91	29.49	860.93
Stock-in-process	3,246.53	72.92	2,856.12	64.15	1,739.33
Stores & Spare Parts	149.26	3.35	129.46	2.91	97.75
Finished Stock	1,888.35	42.42	1,345.53	30.22	749.31
Sub-total	6,855.10	153.98	5,644.02	126.78	3,447.32
b) Sundry Debtors (Unsecured & considered good)					
Debtors outstanding for a period more than 6 months	26.26	0.59	28.09	0.63	23.64
Other Debtors	6,737.84	151.34	5,890.84	132.32	4,104.10
Sub-total	6,764.10	151.93	5,918.93	132.95	4,127.74
c) Cash & Bank Balances					
Cash in Hand	5.39	0.12	1.84	0.04	1.71
Bank Balance with Scheduled Banks					
In Current Account	905.84	20.35	753.89	16.93	170.74
In Fixed Deposits	672.49	15.11	536.63	12.05	850.92
Sub-total	1,583.72	35.57	1,292.36	29.03	1,023.37
TOTAL	15,202.93	341.49	12,855.31	288.75	8,598.43
SCHEDULE 8 - LOANS AND ADVANCES					
(Unsecured, Considered good)					
Deposits	40.38	0.91	41.31	0.93	38.83

Balance with Excise and other Government Authorities	261.86	5.88	122.56	2.75	90.83
Advances recoverable in cash or in kind or for value to be received	6,193.12	139.11	5,490.87	123.33	4,688.66
TOTAL	6,495.36	145.90	5,654.73	127.02	4,818.32
SCHEDULE 9 - CURRENT LIABILITIES					
Sundry Creditors	501.69	11.27	326.76	7.34	306.33
Other Liabilities	148.73	3.34	156.55	3.52	149.81
TOTAL	650.42	14.61	483.31	10.86	456.14
SCHEDULE 10 - PROVISIONS					
Proposed Dividend	133.94	3.01	125.10	2.81	121.90
Dividend Tax	22.76	0.51	21.26	0.48	20.72
Provision for Taxation	402.00	9.03	351.25	7.89	379.75
TOTAL	558.70	12.55	497.61	11.18	522.37
SCHEDULE 11 - MISCELLANEOUS EXPENDITURE					
(To the extent not written off or adjusted)					
FCCB Issue Expenses	138.96	3.12	240.03	5.39	353.29
Add: Addition during the period	-	-	-	-	-
	138.96	3.12	240.03	5.39	353.29
Less: Written off during the period	78.03	1.75	101.07	2.27	113.26
TOTAL	60.94	1.37	138.96	3.12	240.03

STERLING BIOTECH LIMITED					
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED					
	As at	As at	As at	As at	As at
	31st Dec 10	31st Dec 10	31st Dec 09	31st Dec 09	31st Dec 08
	(Rs.)	USD	(Rs.)	USD	Rs.
SCHEDULE 12 - INCREASE/(DECREASE) IN STOCKS					
Stock in trade (At Close)					
Finished Goods	1,888.35	42.42	1,345.53	30.22	749.31
Stock in Process	3,246.53	72.92	2,856.12	64.15	1,739.33
Sub-total	5,134.88	115.34	4,201.65	94.38	2,488.64
Stock in trade (At Commencement)					
Finished Goods	1,345.53	30.22	749.31	16.83	881.64
Stock in Process	2,856.12	64.15	1,739.33	39.07	1,638.31
Sub-total	4,201.65	94.38	2,488.64	55.90	2,519.95
Increase/(Decrease) in Stocks	933.23	20.96	1,713.01	38.48	(31.31)
SCHEDULE 13 - MATERIAL COST					
Opening Stock	1,442.37	32.40	958.68	21.53	891.12
Purchases of Raw Materials	6,966.17	156.47	8,258.63	185.50	4,282.95
Power & Fuels	2,250.46	50.55	2,145.73	48.20	1,514.02
	10,659.01	239.42	11,363.04	255.23	6,688.09
Closing Stock	1,720.22	38.64	1,442.37	32.40	958.68
TOTAL	8,938.79	200.78	9,920.66	222.84	5,729.41
SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES					
Repairs and maintenance to Buildings	17.30	0.39	16.49	0.37	14.72
Repairs and maintenance to Plant & Machinery	70.73	1.59	67.44	1.51	62.65
Travelling & Conveyance	72.40	1.63	68.93	1.55	66.33
Telephone & Telex	25.72	0.58	24.23	0.54	22.11
Printing & Stationery	13.27	0.30	12.69	0.29	11.67
Postage, Telegram & Courier	17.35	0.39	16.53	0.37	15.80
Office Expenses	117.44	2.64	111.91	2.51	100.17
Selling & Distribution Expenses	418.05	9.39	398.98	8.96	364.37

TOTAL	752.25	16.90	717.20	16.11	657.82
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SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS AS AT 31 DECEMBER 2010

A. SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of preparation of Financial Accounts** - The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and the requirements of the Companies Act, 1956, under the historical cost convention and on accrual basis.
2. **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.
3. **Fixed Assets** - Fixed assets are stated at cost less accumulated depreciation. Fixed assets include all related expenses incurred up to the date of acquisition and installation. Pre-operative expenses incurred up to the date of commencement of production of the project is allocated to Building and Plant & Machinery.
4. **Depreciation** - Depreciation on fixed assets is calculated on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions to / deletions from the fixed assets during the year is provided on pro-rata basis.
5. **Inventories**-Inventories are valued as follows
 - a) Finished Goods at cost or net realisable value whichever is less.
 - b) Work-in-process at cost or net realisable value whichever is less.
 - c) Raw material, packing material, stores and spares, tools and consumables are valued at cost or net realisable value whichever is less.
6. **Foreign Currency Transactions** - Foreign currency transactions during the period are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency denominated assets and liabilities are translated into rupees at the rates of exchange prevailing at the date of the balance sheet. All exchange differences are dealt with in the statement of profit and loss, except for those relating to the acquisition of fixed assets, which are adjusted in the cost of the fixed assets.
7. **Investments**- Investments are stated at cost.
8. **Revenue Recognition**-Sales are recognised at the time of dispatch of the goods.
9. **Research and Development expenditure** - Revenue expenditure on Research and Development is charged to revenue in the respective head of expenditure account.
10. **Retirement Benefits** - Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted on accrual basis.
11. **Employee Benefits** -
 - a) Short Term Employee benefits

All Short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undisclosed basis and charged to the Profit & loss account.

b) **Defined Contribution Plan**

The Company has a statutory scheme of Provident Fund with the Regional Provident Fund Commissioner and contribution of the Company is charged to the Profit & Loss account on accrual basis.

c) **Defined Benefit Plan**

The Company's liability towards gratuity to its employees is covered by a group gratuity policy with LIC of India. The contribution paid / payable to LIC of India is debited to Profit & Loss Account on accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to Profit & Loss Account on accrual basis. Thus charge to the Profit & Loss Account includes premium paid to LIC, current service cost, interest cost, expected return on plan assets and gain/loss in actuarial valuation during the year net of fund value of plan asset as on the balance sheet date. Liability towards leave salary is provided on actuarial basis.

12. **Borrowing Cost** - Borrowing cost attributable to the acquisition of fixed assets is included in the cost of asset. The balance borrowing cost is charged to revenue.
13. **Income Tax** - Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise and deferred tax asset or liability is recorded for the timing differences. The deferred tax asset or liability is recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.
14. **Export Benefits** - The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.
15. **Impairment Loss** - As per Accounting Standard AS 28 Impairment of Assets effective from April 01, 2004, the Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.
16. **Provisions, Contingent Liabilities and Contingent Assets** – A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

B. NOTES TO ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st December, 2010 is `3,236.18 Lacs [Previous year `4,643.52 Lacs].
2. Contingent liabilities not provided for on account of letters of credit as on 31st December, 2010 are of `10,100.00 Lacs [Previous year `4,986.27 Lacs].
3. Current income Tax is provided for the year as per provisions of the Minimum Alternate tax under the Income Tax Act, 1961.
4. The company has provided for a deferred tax liability of ` 3,100 Lacs for the year ended December 31, 2010 on additional depreciation on fixed assets under Income Tax Act [Previous year ` 3,350 Lacs].

5. Calculation of Earnings per share [EPS]

(Amount in rupees `)			
Sr.no.	Particulars	2010	2009
1	Net Profit after Tax	1,45,32,29,543	2,35,32,56,792
2	Face value of each equity share	1	1
3	Weighted average No. of Equity Shares	25,52,76,440	24,83,81,215
4	Earning Per Share [EPS] Basic	5.69	9.47
5	Weighted average No. of Equity Shares for Diluted EPS	28,99,05,850	30,28,61,358
6	Diluted EPS	5.01	7.77

6. Managerial Remuneration		
(` in Lacs)		
Particulars	2010	2009
Salary (Including Bonus)	105.62	60.23
Contribution to Provident Fund	0	0
Superannuation Fund	0	0
Total	105.62	60.23

7. The company's operations fall under single segment. Hence Segmental Reporting as defined under AS 17 is not applicable

8. Foreign Currency Earnings and Expenditure			
(` in Lacs)			
Sr.no.	Particulars	2010	2009
1	FOB Value of Exports	50,350.86	45,379.63
2	CIF Value of Imports	550.33	534.81
3	Other Expenditure	294.01	162.83

9. Based on the information received by the company from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (The Act) there are no amounts due to such vendors during the year and as at the year end. Therefore, disclosures required under the Act have not been given.

10. Additional information pursuant to the provisions of Paragraph (3) & (4) of Part IV of Schedule VI to the Companies Act, 1956, together with other notes.

The Ministry of Company Affairs, New Delhi have granted exemption to the Company from disclosure of quantitative details in compliance of Para 3(i)(a) and 3(ii)(a)(1)&(2) of Part II, Schedule VI to the Companies Act, 1956 in respect of the Financial Year ended 31st December, 2010 by their order no. 46/201/2010-CL-III dated 01.11.2010 under Section 211(4) of the Companies Act, 1956

11. Related Party Information

A. Names of related parties and relationships. i) Details of Key Management Personnel

- Mr. Nitin J. Sandesara - Chairman and Managing Director
- Mr. Chetan J. Sandesara - Joint Managing Director

ii) Enterprises in which significant influence is exercised by Key Management Personnel

- Sterling SEZ and Infrastructure Limited
- Sterling Oil Resources Limited
- Sterling Port Limited

B. The aggregate amount of transaction with the related parties is as below:

Particulars	Nature of transaction	2010	2009
a) Transactions during the period			
1) Mr. Nitin J. Sandesara	Remuneration	63.55	34.23
2) Mr. Chetan J. Sandesara	Remuneration	42.07	

			26.00
b) Amount outstanding as at Balance Sheet date			
1) Sterling SEZ and Infrastructure Limited	Loans & Advances	12,813.00	22,066.00
Maximum Amount Outstanding		22,066.00	22,066.00
2) Sterling Oil Resources Limited	Loans & Advances	18,153.00	11,564.00
Maximum Amount Outstanding		18,153.00	19,800.00
3) Sterling Port Limited	Loans & Advances	8,665.00	NIL
Maximum Amount Outstanding		8,665.00	NIL
4) Sterling SEZ and Infrastructure Limited	Investment	14,500.00	14,500.00
5) Sterling Oil Resources Limited	Investment	11,900.00	11,900.00
6) Sterling Port Limited	Investment	36.00	-
7) Sterling Port Limited	Share Application Money	9,000.00	-

12. Payment to Auditors

Particulars	2010	2009
Audit Fees	4	4
Tax Audit Fees	1.5	1.5
Taxation and other matters	2	2
Service Tax	0.77	0.77
Total	8.27	8.27

13. Figures of the previous year have been regrouped, reclassified whenever necessary to make them Comparable with the current year's figures

**NON-CONSOLIDATED AUDITED CASH FLOW STATEMENT
FOR 31 DECEMBER 2010, 31 DECMEBER 2009 AND 31 DECEMBER 2008**

(Amount in Millions)

	Audited 31st Dec 10 (Rs.)	Audited 31st Dec 10 USD	Audited 31st Dec 09 (Rs.)	Audited 31st Dec 09 USD	Audited 31st Dec 08 Rs.	Audited 31st Dec 08 USD
<u>(A) Cash Flow From Operating Activities</u>						
Net Profit Before Tax and Extraordinary Items	2,796.28	62.81	2,418.99	54.34	3,449.76	77.49
<i>Adjustment for:</i>		-	-	-	-	-
Depreciation and Amortisation	1,976.22	44.39	1,230.42	27.64	1,071.52	24.07
Interest & Finance Charges	2,304.71	51.77	1,494.38	33.57	592.07	13.30
Operating Profit before Working adjustments for	7,077.20	158.97	5,143.79	115.54	5,113.35	114.86
Trade Receivables	(845.17)	(18.98)	(1,791.18)	(40.23)	(2,174.06)	(48.83)
Other Receivables	(893.04)	(20.06)	(914.53)	(20.54)	(2,825.71)	(63.47)
Inventories	(1,211.08)	(27.20)	(2,196.71)	(49.34)	(36.25)	(0.81)
Trade Payable (Current Liabilities)	167.11	3.75	27.17	0.61	69.33	1.56
Direct Tax	(290.00)	(6.51)	(281.75)	(6.33)	(405.58)	(9.11)
Cash flow Before Extra Ordinary Items	4,005.02	89.96	(13.21)	(0.30)	(258.92)	(5.82)
Extra-Ordinary Expenses	(522.73)	(11.74)	-	-	-	-
Share/FCCB Issue Expenditure	-	-	-	-	-	-
Net Cash Flow from Operating Activities	3,482.28	78.22	(13.21)	(0.30)	(258.92)	(5.82)
			-		-	
<u>(B) Cash Flow From Investing Activities</u>						
Purchase of Fixed Assets	(9,048.24)	(203.24)	(4,527.06)	(101.69)	(12,403.32)	(278.60)
Purchase of Investments	(891.80)	(20.03)	-	-	(2,617.90)	(58.80)
Sale of Investments	-	-	314.56	7.07	-	-
Net Cash Used in Investing Activities	(9,940.05)	(223.27)	(4,212.50)	(94.62)	(15,021.23)	(337.40)
			-		-	
<u>(C) Cash Flow From Financing Activities</u>						
Proceeds from Issue of Share on Conversion of FCCB	17.68	0.40	6.40	0.14	14.32	0.32
Proceeds from Share Premium on Conversion of FCCB	2,683.10	60.27	1,193.50	26.81	2,297.21	51.60

Proceeds/(Repayment) from Long Term Borrowings	6,499.41	145.99	4,934.98	110.85	6,666.44	149.74
Interest & Finance Charges	(2,304.71)	(51.77)	(1,494.38)	(33.57)	(592.07)	(13.30)
Dividend & Dividend Tax	(146.36)	(3.29)	(145.80)	(3.27)	(136.08)	(3.06)
Net Cash used in Financing Activities	6,749.13	151.60	4,494.70	100.96	8,249.82	185.31
		-	-	-	-	-
Net Increase/(Decrease) in Cash & Cash Eq. (A+B+C)	291.36	6.54	268.99	6.04	(7,030.32)	(157.91)
Cash & Cash Equivalents (Opening)	1,292.36	29.03	1,023.37	22.99	8,053.69	180.90
Cash & Cash Equivalents (Closing)	1,583.72	35.57	1,292.36	29.03	1,023.37	22.99

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31
DECEMBER 2010**

CERTIFICATE

To
The Members
Sterling Biotech Limited
Mumbai

We have examined the compliance of conditions of Corporate Governance by Sterling Biotech Limited, for the year ended 31st December, 2010, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information, and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

For H. S. Hathi &
Co. Chartered
Accountants Firm
Reg. No.: 103596W

HEMANT S. HATHI Partner
Membership No.: 037109

Place: Mumbai
Date: 31st May, 2011

AUDITORS' REPORT

To the Members of STERLING BIOTECH LIMITED

1. We have audited the attached Balance Sheet of STERLING BIOTECH LIMITED as at 31st December 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on this financial statement based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub Section (4A) of section 227 of the Companies Act 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we state that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - b) In our opinion, Proper books of account, as required by law, have been kept by the company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors as on 31st December, 2010, and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31st December, 2010 from being appointed as a Director in terms of Clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give, the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st December, 2010;
- ii) In the case of the Profit & Loss Account, of the Profit of the company for the year ended on that date; and
- iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For H. S. Hathi
& Co. Chartered
Accountants Firm
Reg. No.:
103596W
HEMANT S. HATHI
Partner
Membership No.: 037109

Place: Mumbai

Date: 31st May, 2011

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR
REPORT OF EVEN DATE TO THE MEMBERS OF STERLING BIOTECH
LIMITED ON THE ACCOUNTS AS AT AND
FOR THE PERIOD ENDED 31st DECEMBER, 2010.**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to us, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) (a) As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examinations of records of inventories, we are of the opinion that the company is maintaining proper records of the inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.
- (iii) (a) The Company has granted unsecured loan to a companies covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year was ` 488.84 crore and the year end balance of loans granted to such parties was ` 396.31 crore.
- (b) In our opinion, terms and conditions on which loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) There are no overdue amounts of Loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956.
- (d) According to the information and explanations given to us, the company has not taken any unsecured loan from companies, firms and other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (iv) According to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sales of Goods and service. We have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the

opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of Goods and materials and sales of Goods, material & services made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs.5,00,000/- or more in respect of each party.
- (vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of section 58A and 58AA or any other relevant provisions of the companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- (vii) In our opinion, the Company has an internal audit System commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained .
- (ix) (a) According to the records of the company, the company has been regular in depositing with appropriate authorities, Undisputed statutory dues including Provident Fund, Income tax, Sales Tax / VAT, Wealth tax, Service Tax, Custom duty, Cess and other statutory dues.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December 2010 for a period of more than six months from the date they became payable .
- (c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.
- (x) The Company neither has Accumulated losses nor it has incurred any cash losses during the year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of the dues to financial institutions or banks.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is maintaining proper record and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the company are held in its own name.
- (xv) According to the information and explanations given to us by the management, the company has not given any Guarantee for loan taken by other from banks or financial institutions.
- (xvi) According to the information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.

- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the companies Act, 1956.
- (xix) During the period covered by our report, the company has not issued any debentures and hence clause 4(XIX) of the companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xx) During the period covered by our report, the company has not raised any money by way of public issue.
- (xxi) According to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year.

For H. S. Hathi & Co. Chartered
Accountants Firm Reg. No.: 103596W
HEMANT S. HATHI
Partner
Membership No.: 037109

Place: Mumbai

Date: 31st May, 2011

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE FOR THE YEAR ENDED
31 DECEMBER 2009**

Certificate

To
The Members
Sterling Biotech Limited
Mumbai

We have examined the compliance of conditions of Corporate Governance by Sterling Biotech Limited, for the year ended 31st December, 2009, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information, and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For H.S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner
Membership No.037109

Place: Mumbai
Date: 31st March, 2010

AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

To the Members of

STERLING BIOTECH LIMITED

1. We have audited the attached Balance Sheet of STERLING BIOTECH LIMITED as at 31st December 2009 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on this financial statement based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government of India in terms of sub Section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we state that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - b) In our opinion, Proper books of account, as required by law, have been kept by the company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors as on 31st December, 2009, and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31st December, 2009 from being appointed as a Director in terms of Clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give, the information required by the

Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st,December,2009;
- ii) In the case of the Profit & Loss Account, of the Profit of the company for the year ended on that date; and
- iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For H.S. Hathi & Co.
Chartered Accountants

Hemant S. Hathi
Partner
Membership No.037109

Place: Mumbai
Date: 31st March, 2010

ANNEXURE TO THE AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF STERLING BIOTECH LIMITED ON THE ACCOUNTS AS AT AND FOR THE PERIOD ENDED 31ST DECEMBER 2008.

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
 - c) As per the information and explanations given to us, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.
2. a) As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
 - b) In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) On the basis of our examinations of records of inventories, we are of the opinion that the company is maintaining proper records of the inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.
3. The Company has not granted any unsecured loan to a company covered in the register maintained under section 301 of the companies Act, 1956. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. According to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sales of Goods and service. We have not observed any continuing failure to correct major weakness in internal controls.
5. a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of Goods and materials and sales of Goods, material & services made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs.5,00,000/- or more in respect of each party.

6. The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of section 58A and 58AA or any other relevant provisions of the companies Act, 1956 and rules framed there under are not applicable for the year under audit.
7. In our opinion, the Company has an internal audit System commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
9. a) According to the records of the company, the company has been regular in depositing with appropriate authorities, Undisputed statutory dues including Provident Fund, Income tax, Sales Tax / VAT, Wealth tax, Service Tax, Custom duty, Cess and other statutory dues.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December 2008 for a period of more than six months from the date they became payable.
c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.
10. The Company neither has Accumulated losses nor has it incurred any cash losses during the year and in the immediately preceding financial year.
11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of the dues to financial institutions or banks.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is maintaining proper record and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the company are held in its own name.
15. According to the information and explanations given to us by the management, the company has not given any Guarantee for loan taken by other from banks or financial institutions.
16. According to the information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except permanent working capital.
18. According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the companies Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company had issued 3000 Secured redeemable nonconvertible debentures of Rs. 10,00,000/- each bearing interest @12% p.a.. The company has created security in respect of debentures issued.
20. During the period covered by our report the company has not raised any money by way of public issue.
21. According to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year.

For H. S. HATHI & CO.
Chartered Accountants

Place: Mumbai
Dated: 31st March, 2009

HEMANT S. HATHI
(Partner)

AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

To The Members of

STERLING BIOTECH LIMITED

1. We have audited the attached Balance Sheet of STERLING BIOTECH LIMITED as at 31st December 2008 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on this financial statement based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub Section (4A) of section 227 of the Companies Act 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we state that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - b) In our opinion, Proper books of account, as required by law, have been kept by the company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors as on 31st December, 2008, and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31st December, 2008 from being appointed as a Director in terms of Clause (g) of the sub-section (t) of section 274 of the Companies Act, 1956.

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give, the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st December, 2008;
 - ii) In the case of the Profit & Loss Account, of the Profit of the company for the period ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For H. S. HATHI & CO.
Chartered Accountants

Place : Mumbai
Dated: 31st March, 2009

HEMANT S. HATHI
(Partner)

ANNEXURE TO THE AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF STERLING BIOTECH LIMITED ON THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2008

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to us, during the year, the Company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) (a) As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examinations of records of inventories, we are of the opinion that the Company is maintaining proper records of the inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to Books records.
- (iii) The Company has not granted any unsecured loan to a company covered in the register maintained under Section 301 of the companies Act, 1956. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) According to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and sales of goods and service. We have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sales of goods, material

and services made in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 5,00,000 or more in respect of each party.

- (vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records of the Company, the Company has been regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax / VAT, Wealth Tax, Service Tax, Custom Duty, Cess and other Statutory dues.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were outstanding as at the 31st December 2007 for a period of more than six months from the date they became payable.
(c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.
- (x) The Company neither has accumulated losses nor has it incurred any cash losses during the year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of the dues to financial institutions or banks.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit fund society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the Company is maintaining proper record and making timely entries in respect of shares, securities, debentures and other investments. Further all the investments made by the Company are held in its own name.
- (xv) According to the information and explanations given to us by the management, the Company has not given any guarantee for loan taken by other from banks or financial institutions.

- (xvi) According to the information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under Section 301 of the Companies Act. 1956.
- (xix) The Company has not issued any debentures and hence Clause 4(XIX) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (xx) During the period covered by our report the Company has not raised any money by way of public issue.
- (xxi) According to the information and explanations given to us no frauds on or by the Company has been noticed or reported during the year.

For H. S. HATHI & CO.
Chartered Accountants

Mumbai
31st March. 2009

HEMANT S. HATHI
(Partner)

**NON-CONSOLIDATED AND UN-AUDITED FINANCIAL RESULTS FOR THE
Three MONTHS ENDED 31 March 2011 and 31 March 2010**

(Figures in Million)

Sr. No.	Particulars		Quarter ended 31/03/2011	Quarter ended 31/03/2011	Quarter ended 31/03/2010	Quarter ended 31/03/2010
			Unaudited	Unaudited	Unaudited	Unaudited
			INR	USD	INR	USD
1	Income					
	a)	Net Sales/Income from Operations	4,382.82	98.45	3,827.83	85.98
	b)	Other Operating Income	32.64	0.73	21.23	0.48
	c)	Total	4,415.45	99.18	3,849.06	86.46
2	Expenditure					
	a)	(Increase)/decrease in stock in trade and work in progress	-468.80	-10.53	-106.78	-2.40
	b)	Consumption of raw materials	1,987.15	44.63	1,508.26	33.88
	c)	Employees Cost	117.89	2.65	102.25	2.30
	d)	Depreciation	591.45	13.29	322.39	7.24
	e)	Other expenditure	764.88	17.18	736.56	16.54
	f)	Total	2,992.57	67.22	2,562.67	57.56
3	Profit / (Loss) from Operations before Other Income and Interest (1-2)		1,422.88	31.96	1,286.39	28.89
4	Other Income			0.00		0.00
5	Profit / (Loss) before Interest (3+4)		1,422.88	31.96	1,286.39	28.89
6	Interest		631.76	14.19	552.75	12.42
7	Profit / (Loss) from Ordinary Activities before tax (5-6)		791.12	17.77	733.64	16.48
8	Tax expense			0.00		0.00
	a)	Current	156.00	3.50	121.00	2.72
	b)	Deferred	110.00	2.47	120.00	2.70
	c)	Fringe Benefit				
	d)	Total	266.00	5.97	241.00	5.41
9	Net Profit / (Loss) from Ordinary Activities after tax (7-8)		525.12	11.80	492.64	11.07
10	Extraordinary Items		-12.19	-0.27	-22.22	-0.50
11	Net Profit / (Loss) for the period (9-10)		512.93	11.52	470.42	10.57
12	Prior year adjustment			0.00		0.00
13	Profit available for appropriation		512.93	11.52	470.42	10.57
14	Paid-up equity share capital (Face Value of Re.1/- per share)		267.87	6.02	250.20	5.62
15	Reserves excluding Revaluation Reserves as per balance sheet.					
16	Earnings Per Share (EPS)					

	a)	Basic and diluted EPS before Extraordinary items for the period, for the year to date and for the previous year (not to be annualized) on F.V. of Re.1/- per share.				
		Basic	1.96	0.04	1.97	0.04
		Diluted	1.74	0.04	1.63	0.04
	b)	Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year (not to be annualized) on F.V. of Re.1/- per share.				
		Basic	1.91	0.04	1.88	0.04
		Diluted	1.70	0.04	1.56	0.04
17	Public Shareholding					
	-	Number of shares	13,36,66,531		13,36,66,531	
	-	Percentage of shareholding	49.90%		53.42%	
18	Promoters and Promoter Group Shareholding					
	a)	Pledged/Encumbered				
		Number of shares	2,14,28,340		3,05,27,000	
		Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	24.07%		34.29%	
		Percentage of shares (as a % of the total share capital of the Company)	8.00%		12.20%	
	b)	Non-encumbered				
		Number of shares	6,76,06,354		5,85,07,694	
		Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	75.93%		65.71%	
		Percentage of shares (as a % of the total share capital of the Company)	25.24%		23.38%	

Conversion Rate = 1USD = 44.52 INR As at 15 July 2011

STERLING BIOTECH LIMITED
43, ATLANTA, NARIMAN POINT,

MUMBAI – 400 021

LEAD MANAGER	
PAN ASIA ADVISORS LIMITED 1 ST FLOOR, 42 MINSTER HOUSE, MINCING LANE, LONDON EC3R 7AE, UNITED KINGDOM	
DEPOSITARY	CUSTODIAN
THE BANK OF NEW YORK MELLON 101 BARCLAY STREET NEW YORK, New York 10286 USA	ICICI BANK LIMITED MUMBAI
AUDITORS	LISTING AGENT
H.S. HATHI & CO. 110/5 GAJANAN BUILDING, JAWAHAR NAGAR, GOREGAON (W), MUMBAI - 400 062	EURAM BANK ASIA LIMITED 915-916, LIBERTY HOUSE SHEIKH ZAYED ROAD, DUBAI, U.A.E.
OVERSEAS LEGAL ADVISORS TO THE LEAD MANAGER	LEGAL ADVISORS TO THE COMPANY
SINGHANIA & CO. 24, BUCKINGHAM GATE LONDON SW1E 6LB UNITED KINGDOM	FOXMANDAL LITTLE FM HOUSE A-9, SECTOR-9 NOIDA 201301 NCR OF DELHI INDIA
OVERSEAS LEGAL ADVISORS TO THE COMPANY	
PORTER & CO 40, BENHILL AVENUE SUTTON, SURREY SM1 4DA UNITED KINGDOM	