

Disclaimer - Important

YOU MUST READ THE FOLLOWING DISCLAIMER BEFORE CONTINUING.

THESE LISTING PARTICULARS (THE “LISTING PARTICULARS”) ARE NOT DIRECTED AT OR INTENDED TO BE ACCESSED BY PERSONS IN THE UNITED STATES.

THESE MATERIALS ARE BEING MADE AVAILABLE IN CONNECTION WITH AN OFFER TO EXCHANGE THE ZERO COUPON CONVERTIBLE BONDS DUE 2012 OF STERLING BIOTECH LIMITED (THE “COMPANY”) FOR THE ZERO COUPON CONVERTIBLE BONDS DUE 2019 (THE “BONDS”). THE SETTLEMENT OF THE EXCHANGE OFFER HAPPENED ON MARCH 24, 2014.

By accessing such information and the document, you agree to follow the terms and conditions below.

The Listing Particulars are placed here solely to comply with the requirements of the Luxembourg Stock Exchange. The Listing Particulars are not intended to constitute an offer or a solicitation or invitation of an offer to subscribe to any securities to any person or class of investors within or outside India.

The materials presented here may not be accessed in any jurisdiction where the delivery of such materials may not be permitted by law. You must satisfy to yourself that you are not subject to any local requirements which prohibit or restrict you from accessing these materials.

If this is not the case or if you do not agree to the terms contained in this notice, then you must not access the Listing Particulars presented here.

The Bonds, or the shares or the global depository receipts of the Company issuable upon conversion of the Bonds, have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) or under any state securities laws of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE LISTING PARTICULARS PRESENTED HERE, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR (2) DISTRIBUTE OR REPRODUCE SUCH LISTING PARTICULARS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DELIVERING, DISTRIBUTION OR REPRODUCTION OF THE LISTING PARTICULARS PRESENTED HERE IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Neither the Company nor Madison Pacific Trust Limited, as the trustee or the principal agent in respect of the Bonds, accepts any liability whatsoever, direct or indirect, that may arise from the use of the information contained on this site. Access to this site does not constitute a recommendation by the Company or Madison Pacific Trust Limited or any other party to buy or sell securities of the Company.

If you are not permitted to view materials on this website or are in any doubt as to whether you are permitted to view these materials, please do not proceed further.



Sterling Biotech Limited

(incorporated with limited liability under the Indian Companies Act 1956, as amended)

U.S. \$206,464,000 Zero Coupon Convertible Bonds due 2019 Convertible into Ordinary Shares or Global Depositary Receipts representing Ordinary Shares of Sterling Biotech Limited Issue Price: 100%

The U.S. \$206,464,000 Zero Coupon Convertible Bonds due 2019 (the “**Bonds**”), will be issued by Sterling Biotech Limited (the “**Company**” or the “**Issuer**”).

The issue of the Bonds was authorized by a resolution of the Board of Directors of the Company dated May 15, 2013 and by a resolution of the shareholders of the Company dated June 29, 2013.

The Bonds will not bear interest. The Bonds are convertible at any time on or after May 5, 2014 and up to the close of business on March 18, 2019 by holders of the Bonds (the “**Bondholders**”) into newly issued ordinary shares of Re. 1.00 each of the Company (the “**Shares**”) or global depositary receipts each representing six Shares (the “**GDRs**”) at the option of the Bondholder, at an initial conversion price of Rs. 60 per Share with a fixed rate of exchange on conversion of Rs. 48 = U.S.\$ 1.00. The conversion price is subject to adjustment in certain circumstances as described herein. For the terms of the conversion rights, see “Terms and Conditions of the Bonds – Conversion”. The existing issued Shares of the Company are listed on the National Stock Exchange of India Limited (“**NSE**”) and the BSE Limited (“**BSE**”). The closing price of the Shares on March 20, 2014 on the NSE was Rs. 8.05 per Share and on the BSE was Rs. 7.99 per Share and the last traded price of the GDRs on the Luxembourg Stock Exchange, on March 20, 2014, was U.S.\$ 0.79 per GDR.

The Bonds may, subject to certain conditions, be redeemed in whole at the option of the Company at any time on or after March 24, 2016 and on or prior to the close of business on March 18, 2019 at the Accreted Principal Amount (as defined in the terms and conditions of the Bonds (the “**Conditions**”)). In addition, the Company may redeem the Bonds in whole and not in part at any time at the Accreted Principal Amount in the event of certain changes relating to taxation in India, subject to certain rights of a Bondholder to elect not to have its Bonds redeemed and thereafter to receive payments in respect of the Bonds subject to any withholding or deduction on account of Indian taxes. Unless previously converted, redeemed or repurchased and cancelled, the Bonds will mature on March 25, 2019 (the “**Maturity Date**”) at 130.70 percent of their principal amount. The Company will, at the option of Bondholders, redeem any outstanding Bonds upon the occurrence of a Delisting (as defined in the Terms and Conditions of the Bonds) of the Shares from the BSE or the NSE or on a Change of Control (as defined in the Terms and Conditions of the Bonds) of the Company, at the Accreted Principal Amount. Redemption of the Bonds prior to Maturity Date, including on an event of default, will currently be subject to prior regulatory approvals in India. See “Terms and Conditions of the Bonds – Governing Law”.

The existing GDRs are listed on the Luxembourg Stock Exchange. The Company has undertaken to apply to have the Shares issuable upon conversion of the Bonds approved for the listing on the NSE and BSE and has obtained an in-principle approval from such stock exchanges for the listing of such Shares. The Company has also undertaken to apply to have any additional GDRs listed on conversion of the Bonds listed on the Luxembourg Stock Exchange. Neither the NSE, BSE nor the Luxembourg Stock Exchange assumes any responsibility for the correctness of any of the statements made or opinions expressed or reports contained in these Listing Particulars.

The Bonds will be issued in registered form in the denomination of U.S.\$ 1,000 and integral multiples thereof. Delivery of the Bonds was made on March 24, 2014 (the “**Closing Date**”). The Bonds will upon issue be represented by a single Global Certificate (as defined herein) in registered form, which will be deposited with a common depository (a “**Common Depository**”) for, and registered in the name of a nominee of, Euroclear Bank S.A./N.V. (“**Euroclear**”), and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) for the accounts of their respective accountholders.

For a discussion of certain risks relating to the Company and the Bonds, see “**Risk Factors**”.

The Bonds and the Shares or the GDRs issuable upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States unless the Bonds and such Shares or GDRs are registered under the Securities Act or in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act. The offering to which these Listing Particulars relate is not, and under no circumstances is to be construed as, an offering of any Bonds, Shares or GDRs for sale in the United States or as a solicitation therein of an offer to buy any of the Bonds, Shares or GDRs. The Bonds may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

A copy of this document will be delivered to the Registrar of Companies in Maharashtra, Mumbai, the Reserve Bank of India (the “**RBI**”), the NSE and the BSE for information purposes only. Application has been made to list the Bonds on the Luxembourg Stock Exchange and to have the Bonds admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. Admission of the Bonds to the Official List of the Luxembourg Stock Exchange is not to be taken as an indication of the merits of the Company or the Bonds.

The date of these Listing Particulars is March 24, 2014.

NOTICE TO THE HOLDERS

These Listing Particulars constitute a prospectus for the purposes of the Luxembourg Act dated July 10, 2005, as amended, relating to prospectuses for securities. These Listing Particulars do not constitute a prospectus for the purposes of Article 3 of Directive 2003/71/EC.

The Company accepts full responsibility for the information contained in these Listing Particulars and, having made all reasonable enquiries, confirms that these Listing Particulars contain all information with respect to the Company, the Bonds, the Shares and the GDRs which is material in the context of the issue and offering of the Bonds. The statements contained in these Listing Particulars relating to the Company, the Bonds, the Shares and the GDRs are in every material respect true and accurate and not misleading, the opinions and intentions expressed in these Listing Particulars with regard to the Company, the Bonds, the Shares and the GDRs are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to the Company and on reasonable assumptions. There are no other facts in relation to the Company, the Bonds, the GDRs or the Shares, the omission of which would, in the context of the issue and the offering of the Bonds, make any statement in these Listing Particulars misleading in any material respect. Further, all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. Where information contained in these Listing Particulars includes extracts from summaries of information and data from various published and private sources, the Company accepts responsibility for accurately reproducing such summaries and data.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of, the Company or Madison Pacific Trust Limited (the “Trustee”) or the Agents to subscribe for or purchase any Bonds or Shares. The distribution of these Listing Particulars and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Company to inform themselves about and to observe any such restrictions.

The Trustee has not separately verified the information contained in these Listing Particulars. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Trustee, as to the accuracy or completeness of the information contained in these Listing Particulars or any other information supplied in connection with the Bonds, the Shares or the GDRs. None of the Trustee or the Agents made any recommendation as to whether Holders of the Existing Bonds (as defined subsequently) should participate in the Exchange Offer (as defined subsequently). Each person receiving these Listing Particulars acknowledges that such person has not relied on the Trustee or the Agents or on any person affiliated with the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision and each such person must rely on its own examination of the Company and the terms of the offering, including the merits and risks involved in investing in the Bonds.

No person is authorized to give any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Company, the Agents or the Trustee. The delivery of these Listing Particulars at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

Investors should consider the amendment made in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993 (the “FCCB Scheme”) by the notification dated August 31, 2005, issued by the Ministry of Finance, Government of India, pursuant to which overseas corporate entities, that are not eligible to invest in India through the portfolio route and the entities prohibited by the Securities and Exchange Board of India (“SEBI”) from buying, selling or dealing in securities, shall not be eligible to participate in a foreign currency convertible bond (“FCCB”) offering. Each purchaser of the Bonds is deemed to have acknowledged, represented and agreed that they are eligible to invest in India under applicable law, including the FCCB Scheme, as amended from time to time, and have not been prohibited by SEBI from buying, selling or dealing in securities.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

Our Bonds and Shares may not be offered or sold to any person in the United Kingdom, other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom.

NOTICE TO PROSPECTIVE INVESTORS IN INDIA

These Listing Particulars will not be registered as a prospectus with the Registrar of Companies and the Bonds will not be offered or sold in India, nor has our Company circulated or distributed, nor will it circulate or distribute these Listing Particulars or any other offering document or material relating to the Bonds, directly or indirectly, to the public or any members of the public in India.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

These Listing Particulars have not been registered as an offering memorandum or information memorandum with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”). No advertisement may be made offering or calling attention to an offer or intended offer of the Bonds to the public in Singapore. No Bonds may be offered or sold or made the subject of an invitation for subscription or purchase and these Listing Particulars or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, or other person falling within Section 274 of the Securities and Futures Act, (b) to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed, purchased or otherwise acquired Bonds, namely a person who is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Bonds under Section 275 of the Securities and Futures Act except: (1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act; (2) where no consideration is given for the transfer; or (3) by operation of law.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each of the Joint Lead Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by these Listing Particulars (in preliminary, proof or final form) to the public in that Relevant Member State other than:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Company for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Bonds to the public**” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive

2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

CONVENTIONS

In these Listing Particulars, unless otherwise specified or the context otherwise requires, all references to “India” are to the Republic of India and its territories and possessions, and all references to the “U.S.” and “United States” are references to the United States of America and its territories and possessions. In these Listing Particulars, unless otherwise specified or the context otherwise requires, all references to “we”, “us” and “our” are to the Company. In these Listing Particulars, unless otherwise specified or the context otherwise requires, all reference to the “Companies Act” are to the Companies Act, 1956 of India, as amended. For further definition of terms, see “Glossary” below.

PRESENTATION OF FINANCIAL INFORMATION

Financial Data

These Listing Particulars include our audited financial statements as of and for each of the years ended December 31, 2012, 2011 and 2010 and the unaudited financial statements of our Company as of and for the nine months ended September 30, 2013 and 2012, prepared in accordance with generally accepted accounting principles in India (“Indian GAAP”) and the Companies Act. Our Company recently published its summary audited financial statements for the year ended December 31, 2013. The summary audited financial statements for the year ended December 31, 2013, as reported to the NSE and the BSE, have been also been included in these Listing Particulars. Our financial year ends on December 31 and all references to a particular financial year refer to the twelve months ending on December 31 of that year. Our financial statements have been audited by H.S. Hathi & Co., Chartered Accountants, as stated in their reports appearing in these Listing Particulars.

Our financial statements are presented in Indian Rupees and have been prepared in accordance with Indian GAAP. There are significant differences between Indian GAAP and International Financial Reporting Standards (“IFRS”); accordingly, the degree to which the Indian GAAP financial statements included in these Listing Particulars will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices, Indian GAAP and the Companies Act. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP and the Companies Act on the financial disclosures presented in these Listing Particulars should accordingly be limited. For a narrative discussion of certain differences between Indian GAAP and IFRS, as they relate to us, see “Summary of Significant Differences between Indian GAAP and IFRS”. We have not attempted to quantify the impact of these differences on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on financial data.

Where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Totals of columns or rows in tables may not equal the sum of the individual items, and actual numbers may differ from those contained in these Listing Particulars due to rounding off.

CURRENCY TRANSLATIONS

These Listing Particulars contain translations of Indian Rupees amounts to U.S. dollars at a specific rate solely for the convenience of the reader and unless otherwise noted, all translations from Rupee to U.S. dollar, or the U.S. dollar to Rupee, as the case may be, have been made on the basis of the noon buying rate in New York City on September 30, 2013, for cable transfers in Indian Rupees, as certified for customs purposes by the Federal Reserve Bank of New York of Rs. 62.58 = U.S.\$ 1.00. No representation is made that the Indian Rupee or U.S. dollar amounts referred to in these Listing Particulars could have been or could be converted in U.S. dollars or Indian Rupees, as the case maybe, at any particular rate or at all.

CAUTIONARY NOTE REGARDING MARKET AND INDUSTRY DATA

Information included in these Listing Particulars regarding markets, market size, growth rates and other industry data pertaining to our business consists of estimates based on data reports compiled by government bodies, professional organizations and analysts, data from other external sources and knowledge of the markets in which we compete. Certain statistical information included in these Listing Particulars pertaining to the

various sectors in which we operate has been reproduced from trade, industry and government publications and websites.

This information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so we have relied on internally-developed estimates.

While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept no responsibility for accurately or completely reproducing such data. We have not independently verified this data, and we make no representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources, and we cannot assure potential investors as to their accuracy.

Neither the Company, the Agents nor the Trustee make any representation as to the accuracy of this information.

ENFORCEMENT OF CIVIL LIABILITIES IN INDIA

Our company is a limited liability company incorporated under the laws of India. All of our Company's directors and key managerial personnel are residents of India, except Mr. Nitin J. Sandesara, our Chairman and Managing Director, who is a Non-Resident Indian, and all of our assets are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons outside India, or to enforce judgments obtained against such parties in courts outside India.

In India, recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Civil Code on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law then in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a signatory to the Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters or any other international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such Section, in any country or territory outside India which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the competent court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties and does not include arbitral awards. Furthermore, the execution of the foreign decree under Section 44A of the Civil Code is also subject to the exceptions under Section 13 of the Civil Code as discussed above.

The United Kingdom, Singapore and Hong Kong have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A of the Civil Code but certain other jurisdictions have

not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a new proceeding instituted in a court of India and not by proceedings in execution. Such a suit has to be filed 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 if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to the execution of such a judgment including being subject to income tax in accordance with applicable laws. In addition, any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of payment. We cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

FORWARD-LOOKING STATEMENTS

These Listing Particulars contain “forward-looking statements” relating to our business and the markets in which we operate. These forward-looking statements include statements relating to competition, trends and anticipated developments in our industry and business strategy and planned projects. These forward-looking statements also include statements relating to our performance in the “Business” section of these Listing Particulars. In addition, we may make forward-looking statements in written materials, press releases and oral statements issued by us or on our behalf. Forward-looking statements include statements regarding our intent, belief or current expectations or those of our officers (including statements preceded by, followed by or that include forward-looking terminology such as “may”, “will”, “should”, “believes”, “expects”, “anticipates”, “estimates”, “continues” or similar expressions or comparable terminology) with respect to various matters. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions.

It is important to note that our actual results in the future could differ materially from those anticipated in these forward-looking statements depending on various important factors. These factors include, among others, (i) our ability to diversify our product portfolio; (ii) our ability to maintain financially efficient operations; (iii) the effects of competition; (iv) our ability to grow revenues; (v) the effect of changes in our markets; and (vi) our success at managing risks that arise from these factors.

All forward-looking statements in these Listing Particulars are based on information available to us on the date hereof. We do not undertake to update any forward-looking statements that may be made by us or on our behalf in these Listing Particulars or otherwise. In addition, please note that the matters set forth in the section “Risk Factors” constitute cautionary statements identifying important factors with respect to these forward-looking statements, including certain risks and uncertainties that could cause actual results in the future to differ materially from those anticipated in such forward-looking statements.

TABLE OF CONTENTS

	Page
Summary of Our Business	1
Summary of the Offering	2
Risk Factors	8
Market Price Information and other information about Our Shares	20
Exchange Rates	22
Use of Proceeds	23
Capitalization	24
Industry Overview	25
Business	28
Terms and Conditions of the Bonds	40
Terms and Conditions of the GDRS	77
Directors and Management	93
Principal Shareholders	98
The Global Certificate	100
Clearance and Settlement of the Bonds	102
Description of the Shares	104
Government of India Approvals	109
Foreign Investment and Exchange Controls	110
Taxation	113
General Information	116
Summary of Significant Differences between IAS/IFRS and Indian GAAP	118
Definitions and Glossary	124
Index to the Financial Statements	126

SUMMARY OF OUR BUSINESS

Introduction

We are one of the leading producers of gelatin in the world. As of December 31, 2013, we had a gelatin manufacturing capacity of 22,500 MTPA. We are accredited vendors to several key customers, which include some of the leading global pharmaceutical manufacturers. Further, we are in the process of completing our Jambusar facility in Gujarat which, once completed, will have a gelatin manufacturing capacity of 9,000 MTPA.

As a byproduct of the gelatin manufacturing process, we also produce Di-Calcium Phosphate (“DCP”). We are also engaged in the production of Lovastatin, a pharmaceutical product, and certain other active pharmaceutical ingredients (“API”) including oncological products such as Daunorubicin, Doxorubicin, and Epirubicin.

Our principal product, pharmaceutical grade gelatin, has a wide range of applications such as capsules, tablets, health supplements, surgical aids, suppositories, as a blood plasma expander and in the treatment of arthritis, bleeding disorders and cartilage related diseases. We custom make gelatin to our customers’ specifications. The principal parameters for gelatin are bloom strength, or the ability of gelatin to form a gel under prescribed conditions, viscosity and pH. Our customers require gelatin with various parameters, generally according to its final application.

We sell DCP to poultry feed manufacturers in India, who use it in poultry feed to protect poultry against rickets. DCP may also be used in products such as talcum powder and toothpaste. Lovastatin is a cholesterol reducing drug and our API product portfolio includes anti-cancer, anti-depression, anti-diabetic and cholesterol reducing drugs.

Currently, we have two operational gelatin and DCP manufacturing facilities at Karakhadi in Gujarat and Ooty in Tamil Nadu, with an installed capacity of 20,300 MTPA and 2,200 MTPA, respectively. In addition, we are developing an additional gelatin and DCP manufacturing facility at Jambusar, Gujarat which shall increase our installed capacity to manufacture gelatin by 9,000 MTPA. We also have a facility at Masar in Gujarat, which has an installed fermentation capacity of 348 MTPA for Lovastatin, APIs and a R&D Centre for carrying out research and development for the development of new pharmaceutical ingredients.

Gelatin accounted for Rs. 4,133.09 million and Rs. 5,449.26 million or 72.9 % and 65.3%, of our total revenue for the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively. For the nine months ended September 30, 2013 and the year ended December 31, 2012, we had total revenue of Rs. 5,710.52 million and Rs. 8,347.74 million and net loss of Rs. 2,946.62 million and Rs. 3,497.74 million, respectively.

As of December 31, 2013, Mr Nitin J. Sandesara (our Chairman and Managing Director) and Mr. Chetan J. Sandesara (Joint Managing Director), together with members of their immediate families and entities, controlled by them (collectively, the “Promoter Group”), in the aggregate, beneficially owned 90,840,135 Shares amounting to 33.9% of our outstanding Shares.

Recent Development

Our Company recently published its summary audited financial statements for the year ended December 31, 2013. These summary audited financial statements for the year ended December 31, 2013, as reported to the NSE and the BSE, have been included in these Listing Particulars. See “*Index to Financial Statements*”.

SUMMARY OF THE OFFERING

The following is a summary of the terms of the Bonds. This summary is derived from, and should be read in conjunction with, the full text of the Conditions of the Bonds and the Trust Deed constituting the Bonds, which prevail to the extent of any inconsistency with the terms set out in this section. Capitalized terms used herein and not otherwise defined have the respective meanings given to such terms in the Conditions.

Company	Sterling Biotech Limited, a public company incorporated in the Republic of India with limited liability.
Issue	U.S.\$206,464,000 Zero Coupon Convertible Bonds due 2019 (the “Bonds”). The issue of the Bonds was authorized by a resolution of the Board passed on May 15, 2013 and by a resolution of shareholders on June 29, 2013.
Issue Price	The Bonds will be issued at 100% of their principal amount.
Issue Date	March 24, 2014.
Maturity Date	March 25, 2019.
Redemption at Maturity	Unless previously redeemed, converted or repurchased and cancelled, the Company will redeem each Bond at 130.70% of its principal amount on the Maturity Date.
Interest	The Bonds do not bear interest except default interest in the event of non-payment.
Status of the Bonds	The Bonds will (subject to “– Negative Pledge” below) constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and will rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Company under the Bonds shall (subject as aforesaid and other than any obligations preferred by mandatory provisions of law), at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.
Rating of the Bonds	The Bonds are not, and are not expected to be, rated by any rating agency.
Conversion Right	The Bonds are convertible by holders into Shares or (subject to the Company’s right to elect that the Conversion Right for GDRs contained in Condition 6.1.6 no longer applies) GDRs, each such GDR currently representing six Shares, at any time on or after May 5, 2014 and prior to the close of business (at the place the Bonds are deposited for conversion) on March 18, 2019, unless previously redeemed, converted, or purchased and cancelled and except during a Closed Period (as defined in the Conditions). If the Bonds are called for redemption prior to the Maturity Date, pursuant to the Conditions, the Conversion Period will end at the close of business (at the place the Bond is deposited for conversion) on the seventh day before the date fixed for redemption. A Bondholder exercising its Conversion Right (as defined in the Conditions) for Shares will be required to open a depository account with a depository participant under the Depositories Act, 1996 of India (the “Depositories Act”), for the purpose of receiving delivery of the Shares. A Bondholder exercising its Conversion Rights for GDRs

	will be required to specify an account with Euroclear or Clearstream, Luxembourg for the purpose of receiving GDRs.
Conversion Price	The Conversion Price (as defined in the Conditions) will initially be Rs. 60 per Share with a fixed rate of exchange on conversion of Rs. 48 = U.S.\$ 1.00. The Conversion Price is subject to adjustment in certain circumstances in the manner provided in the Conditions.
Negative Pledge	For so long as any Bond remains outstanding, the Company will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest on its undertaking, assets or revenues to secure certain types of indebtedness. See “Terms and Conditions of the Bonds – Negative Pledge”.
Redemption at the Option of the Company	The Company may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable) redeem the Bonds at their Accreted Principal Amount, in whole but not in part, at any time on or after March 24, 2016 and on and prior to March 18, 2019 if on each of not less than 30 consecutive Trading Days ending not earlier than 14 days prior to the date on which the notice of redemption is given to the Bondholders, the Aggregate Value shall have been at least 130.70% of the Accreted Principal Amount in respect of each U.S.\$ 1,000 on such Trading Day.
Redemption for Taxation Reasons	The Bonds may be redeemed in whole, but not in part only, at the option of the Company at any time at their Accreted Principal Amount in the event of certain changes affecting taxes in India as specified in “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Taxation Reasons”. However, each Bondholder shall have the right to elect not to have such Bondholder’s Bonds redeemed, whereupon no additional amounts as a result of changes affecting taxes in India will be payable and payment of all amounts shall be made subject to deduction or withholding of the taxation required to be withheld or deducted by the Government or any authority thereof or therein having power to tax. See “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Taxation Reasons”.
Redemption of Bonds in the Event of Delisting	Unless the Bonds have been previously converted, redeemed or repurchased and cancelled, in the event that the Shares cease to be listed or admitted to trading on either the BSE or the NSE (a “Delisting”), each Bondholder shall have the right, at such Bondholder’s option, to require the Company to redeem such Bondholder’s Bonds at their Accreted Principal Amount. See “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Delisting Put Right”.
Redemption of Bonds on the Change of Control	Unless the Bonds have been previously converted, redeemed or repurchased and cancelled, each Bondholder shall have the right, at such Bondholder’s option, upon the occurrence of a Change of Control (as defined in the Conditions) to require the Company to redeem such Bondholder’s Bonds at their Accreted Principal Amount. See “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Change of Control”.

Non-Permitted Conversion Price Adjustment Events Repurchased Right	To the extent permitted by applicable law, unless the Bonds have been previously converted, redeemed or repurchased and cancelled, if the Company is unable to provide the Trustee with a Price Adjustment Opinion (as defined in the Conditions) prior to the occurrence of an event triggering an adjustment to the Conversion Price (a “Non-Permitted Conversion Price Adjustment Event”), the Company shall, within 10 business days after the occurrence of the relevant event triggering such adjustment, notify the Bondholders of such Non-Permitted Conversion Price Adjustment Event, and each Bondholder shall have the right, at such Bondholder’s option, to require the Company to repurchase all (or any portion of the principal amount thereof which is U.S.\$ 1,000 or any integral multiple thereof) of such Bondholder’s Bonds at a price equal to their Accreted Principal Amount. See “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Non-Permitted Conversion Price Adjustment Event Repurchase Right”.
RBI Approval Required for Early Redemption	Under current regulations of the RBI applicable to convertible bonds issued by Indian companies, the Company would require the prior approval of the RBI before providing notice for or effecting any redemption or repurchase prior to the Maturity Date, including upon an event of default.
Form and Denomination of Bonds	The Bonds will be issued in registered form in the denomination of U.S.\$ 1,000 each and integral multiples thereof. The Bonds will upon issue be represented by the Global Certificate which on the Closing Date will be deposited with, and registered in the name of, a nominee of a Common Depositary.
Events of Default	Subject to the receipt of regulatory approval and to the extent permitted by applicable law, if any of the events set out in “Terms and Conditions of the Bonds – Events of Default” occurs, the Trustee may, and if so requested by Bondholders holding at least 25% in principal amount of the Bonds then outstanding, shall, give notice to the Company that the Bonds are, and they shall immediately become, due and payable at their Accreted Principal Amount. See “Terms and Conditions of the Bonds – Events of Default”.
Share Ranking	Shares (including Shares represented by GDRs) issued upon conversion of the Bonds will be fully paid with full voting rights and will rank <i>pari passu</i> with the Shares in issue on the relevant Conversion Date, save that Shares or GDRs issued on conversion of the Bonds shall not be entitled to any rights the record date for which preceded the relevant Conversion Date. See “Description of the Shares – Dividends” and “Terms and Conditions of the Bonds – Conversion”.
GDRs	The Company currently has GDRs in issue that are listed on the Luxembourg Stock Exchange. Each GDR currently represents six Shares of the Company. The GDRs were issued pursuant to a deposit agreement dated October 1, 2003, as amended on September 4, 2004 between the Company and The Bank of New York Mellon as depositary (the “Depositary”) (the “Deposit Agreement”). The GDRs to be issued upon conversion of the Bonds will be issued pursuant to the Deposit Agreement.
Voting Rights of Holders of GDRs	Holders of GDRs issued upon conversion of the Bonds will have no voting rights or other direct rights of a shareholder with respect to the Shares underlying such GDRs. If requested by the Board, the

Depository will either vote as directed by the Board as conveyed by the Chairman of the Company or give a proxy or power of attorney to a Director or other person to vote on the Shares on its behalf. Registered holders of Shares withdrawn from the depository facility under the Deposit Agreement will be entitled to vote and exercise other direct shareholder rights in accordance with applicable Indian law.

There are limitations on redeposits of Shares that have been withdrawn from the GDR deposit facilities and on deposits of Shares acquired in the open market. See “Description of the Shares – Voting Rights”.

Market for the Shares, Listing and Share Ownership Restrictions

The outstanding Shares of the Company are listed on the NSE and the BSE. There are restrictions on investments in shares of Indian companies, including the Shares, by non-residents of India. See “Appendix B – Foreign Investment and Exchange Controls”.

The Shares have been listed on the BSE since August 1985 and on the NSE since May 2003. The Company also issued 2,328,045 GDRs representing 13,968,270 Shares in October 2003. The GDRs are admitted on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market.

Clearance

The Bonds have been accepted for clearance and settlement through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders.

Global Certificate

For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a Common Depository, payments of principal, premium and default interest (if any) in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment is to be made in respect of the Bonds against presentation and surrender of the Global Certificate, to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.

Indian Taxation

All payments of principal, premium or default interest (if any) by the Company in respect of the Bonds and all deliveries of Shares or GDRs made upon conversion of the Bonds will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments, or governmental charges of whatever nature imposed or levied by or on behalf of India or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is required or compelled by law.

Where such withholding or deduction is in respect of Indian withholding tax on premium or interest (if any) payments at the rate of up to 10 per cent (plus applicable surcharge on such tax payable and education cess as applicable on such tax), the Company will increase the amount of premium or interest (if any) paid by it to the extent required so that the amount of premium or interest (if any) received by Bondholders amounts to the relevant amount of the premium or interest (if any) payable pursuant to Condition 8, in the

case of premium, and Condition 5, in the case of interest.

In the event that any such withholding or deduction in respect of principal or any such additional withholding or deduction in excess of 10 per cent (plus applicable surcharge payable on such tax payable and education cess as applicable on such tax) in respect of premium or interest (if any) is required, the Company will pay such additional amounts by way of principal, premium or interest (if any) as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable in the absence of such withholding or deduction, subject to customary exceptions.

The Bonds (together with the Shares or GDRs issuable upon conversion of the Bonds and the Shares represented by such GDRs) will have the benefit of the tax concessions available under the provisions of Section 115AC of the Income Tax Act, 1961 of India (as amended) (the “Income Tax Act”) and the Depositary Receipt Scheme (together, the “Section 115AC Regime”). These tax concessions include withholding in respect of interest and premium on the Bonds at a reduced rate of 10% plus an applicable surcharge on such tax (and education cess as applicable on such tax), in respect of default interest and premium (if any) on the Bonds. Gains realized on the sale or transfer of such GDRs (but not the Shares represented by those GDRs) or Shares issued upon conversion of Bonds are, subject to certain conditions, exempt from Indian capital gains tax. See “Taxation”.

Under current Indian laws, no tax is payable by the recipients of dividends on shares of an Indian company, including the Shares deliverable upon conversion of the Bonds and Shares represented by GDRs. However, the Company will be liable to pay distribution tax on dividends paid on the Shares (including Shares represented by GDRs) at a rate of approximately 15% plus applicable surcharge and education cess.

Selling Restrictions

The Bonds, once admitted, will be traded on the Euro MTF market of the Luxembourg Stock Exchange. Offer, sale and transfer of the Bonds in, among others, India, Hong Kong, Singapore, the United Kingdom, the European Economic Area and the United States need to comply with certain requirements.

Listing

The Company has applied for the Bonds to be listed on the Luxembourg Stock Exchange and to have the Bonds admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. The Bonds will trade on the Euro MTF market of the Luxembourg Stock Exchange in a minimum board lot size of U.S.\$ 1,000, so long as any of the Bonds remain listed on the Euro MTF market of the Luxembourg Stock Exchange.

The GDRs are currently listed on the Luxembourg Stock Exchange and application will be made to have the GDRs deliverable upon conversion of the Bonds listed on the Luxembourg Stock Exchange. The Company has undertaken to apply to have the Shares (including those that may be represented by GDRs) issuable upon conversion of the Bonds approved for listing on the BSE, the NSE and any other stock exchanges in India on which the Shares are listed from time to time.

The Company has obtained an in-principle approval for listing of the Shares issuable upon conversion of the Bonds on the BSE and the

NSE.

Trustee	Madison Pacific Trust Limited		
Principal Agent	Madison Pacific Trust Limited		
Depository for the GDRs	Bank of New York Mellon		
Governing Law	The Bonds will be governed by, and construed in accordance with, English law. The GDRs are governed by, and construed in accordance with, English law.		
Use of Proceeds	The Bonds are being issued pursuant to a cashless offer to exchange any or all of the Existing Bonds for the Bonds pursuant to an Exchange Offer Memorandum dated October 29, 2013. Accordingly, the Company will not receive any proceeds from the offering of the Bonds.		
Clearing	The ISIN and Common Codes for the Bonds and the GDRs are as follows:		
		ISIN	Common Code
Bonds		XS1046806409	104680640
GDRs		US85916G1085	017757709

RISK FACTORS

This offering involves a high degree of risk. Any potential investor in, and purchaser of, the Bonds should pay particular attention to the fact that our Company is an Indian company and is subject to a legal and regulatory environment which may be different from that which prevails in other countries. Prior to making an investment decision with respect to the Bonds offered hereby, all such prospective investors and purchasers should carefully consider all of the information contained in these Listing Particulars, including the Risk Factors set out below and the financial statements and related notes thereto. The occurrence of any of the following events could have an adverse effect on our business, financial condition and results of operations and cause the market price of the Bonds, the Shares and the GDRs to fall significantly. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Internal Risks

Our inability to meet our obligations under our financing arrangements may adversely affect our business, results of operations and financial condition. Also, our existing debt levels may adversely affect our ability to pursue our business strategies and may limit our ability to expand our business and our flexibility in planning for, or reacting to, changes in our business and industry.

We have a significant amount of debt. As of September 30, 2013, we had total outstanding indebtedness of Rs. 45,109.20 million (excluding US\$ 183.50 million on account of our outstanding foreign currency convertible bonds which were due for redemption on May 16, 2012 (including interest accrued thereon amounting to US\$ 16.28 million calculated from the maturity date till September 30, 2013 but including premium payable on redemption amounting to US\$ 49.35 million). We are required to dedicate a portion of our cash flow towards repayment of our existing debt and interest, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements.

Most of our financing arrangements are secured by substantially all of our movable and immovable assets. Our financing agreements generally include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. These covenants vary depending on the requirements of the financial institution extending the loan and the conditions negotiated under each financing document. Such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. Under our financing agreements, we may be required to obtain consents from the lenders for the Issue. However, we have not approached our lenders to obtain their consent for undertaking the Issue as we believe there is no increase in our exposure to such lenders. Undertaking the Issue without lender consent may constitute a default by us under the respective financing agreements and may entitle the lenders to call a default against us, enforce in their sole discretion, any or all the rights and remedies under the terms of the financing agreements. Exercise of any of the rights available to the lenders under the financing agreements may have an adverse effect on our business, results of operations, financial condition and credit rating.

In the past, we have been unable to comply with certain covenants with respect to certain financing facilities entered into with our lenders for which we have sought and obtained waivers. While we seek to comply with all the covenants in our financing facilities, there can be no assurance that we will be able to comply with the covenants in our financing arrangements in the future or that we will be able to secure waivers for any such non-compliance in a timely manner, or at all. Any future inability to comply with the covenants under our financing arrangements or to obtain necessary consents required thereunder may lead to the termination of our credit facilities, levy of penal interest, acceleration of all amounts due under such facilities and the enforcement of any security provided. If the obligations under any of our financing agreements are accelerated, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. Further, during any period in which we are in default, we may be unable to raise, or may face difficulties raising, further financing. In addition, other third parties may have concerns over our financial position. Any of these circumstances or other consequences could adversely affect our business, credit rating, prospects, results of operations and financial condition. Moreover, any such action initiated by our lenders could adversely affect the price of the Shares.

Our ability to make payments on our indebtedness will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal,

regulatory and other factors, many of which are beyond our control. If our future cash flows from operations and other capital resources are insufficient to pay our debt obligations, meet our contractual obligations, or to fund our other liquidity needs, we may be forced to sell assets or attempt to restructure or refinance our existing indebtedness. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our creditworthiness and/or any credit rating we may hold, which could harm our ability to incur additional indebtedness on acceptable terms.

Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, a default by us under one debt agreement may cause the acceleration of debt, including the Bonds, or result in a default under its other debt agreements, including the Trust Deed governing the Bonds. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of its indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that we would be on terms that are favorable. Such defaults or the initiation of an enforcement action by a lender may result in a decline in the trading price of the Bonds or the Shares and you may lose all or part of your investment.

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 business and results of operations.

For the nine months ended September 30, 2013 and the year ended December 31, 2012, a major portion of our gelatin sales were made to a handful of customers. We expect that we will continue to depend on a limited number of customers for a significant portion of our revenues. We work closely with our key customers over a period of time to produce the blend of gelatin with the parameters they require. Our ability to maintain relationships with our customers is important to the ongoing success and profitability of our business. We have no long term supply contracts with our customers and our customers do not provide us with binding commitments for future supplies. If any of our significant customers reduce, delay or cancel their orders, our business would be adversely affected because each of these customers accounts for a significant part of our revenues. In addition, as a result of the close relationship required between gelatin manufacturers and their customers, if we were to lose any of our significant customers, we may be unable to attract new customers. Even if we could attract new customers, it would take some time to establish a relationship with that customer, we may not be able to detain replacement orders of comparable size, which may have an adverse effect on our business and our results of operations.

Our strategy of diversifying into production of API may not be successful, which may adversely affect our business and results of operations.

We ventured into production of APIs, including oncological products to diversify our product portfolio. We have developed or are in the process of developing various anti-cancer, anti-depression, anti-diabetic, and cholesterol reducing drugs. The success of this strategy depends significantly on our ability to commercialize these products in India and across our various other markets.

Commercialization requires us to successfully develop, test, manufacture, and obtain the required regulatory approvals for our products, while complying with applicable regulatory and safety standards. In order to develop a commercially viable product, we must demonstrate, through extensive trials that the products are safe and effective for use in humans. Our new products may not perform as we expect, necessary regulatory approvals may not be obtained in a timely manner, if at all, and we may not be able to successfully and profitably produce and market such products. Moreover, it may take an extended period of time for our new products to gain market acceptance, if at all.

Further, in order to remain competitive, we must develop, test and manufacture new products, which must meet regulatory standards and receive requisite regulatory approvals. To accomplish this, we commit substantial effort, funds and other resources towards research and development. Our ongoing investments in new product launches and research and development for future products could result in higher costs without a proportionate increase in revenues. Delays in any part of the research and development process, our inability to obtain necessary regulatory approvals for our new products or failure of a product to be successful at any stage and therefore not reach the market could adversely affect our operating results. We may or may not be able to take our research and development innovations through the different testing stages without repeating our research

and development efforts or incurring additional amounts towards such research, which may adversely affect our business and results of operations.

We may be unable to respond adequately to the competition we face in our business, which may have an adverse effect on our business and results of operations.

Our products 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 major manufacturers such as, Capsugel Inc., Catalent Pharma Solutions, Gelita AG, Norland Products Inc., PB Gelatins, Rousselot S.A.S, Roxlor LLC, Sterling Gelatin and the Weishardt Group. We are a relatively new entrant in the oncology business and have recently introduced a new product, Lovastatin, a cholesterol reducing drug. We compete with the more established and larger pharmaceutical manufacturers that have an established market share with respect to their products in these therapeutic areas. 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, or from existing competitors who expand their production capacities. In each case, this may result in greater price competition, which may have an adverse effect on our revenues, sales margins and results of operations.

Some of our global competitors have greater experience and stronger brands. Our competitors may succeed in developing technologies and products that are more effective, more popular or cheaper than ours. These developments could render our technologies and products obsolete or uncompetitive, which would adversely affect our business and results of operations.

Any manufacturing or quality control problems may damage our reputation for high quality products and expose us to litigation or other liabilities, which could adversely affect our business and results of operations.

Pharmaceutical manufacturers are subject to significant regulatory scrutiny in many jurisdictions. We must operate our manufacturing facilities in accordance with current good manufacturing practices stipulated by regulatory agencies. We are also required to meet various quality standards and specifications for our customers under our supply contracts. Furthermore, we are liable for the quality of our products for the entire duration of their shelf life. After our products reach the market, certain developments could adversely affect demand for our products, including the re-review of products that are already marketed, new scientific information, greater scrutiny in advertising and promotion, the discovery of previously unknown side effects or the recall or loss of approval of products that we manufacture, market or sell.

Disputes over non-conformity of our products with such quality standards or specifications are generally referred to independent testing laboratories, which generally (unless the contract specifies the customer) make the final decision. If any independent laboratory confirms that our products do not conform to the prescribed or agreed standards and specifications, we would bear the expenses of replacing and testing such products, which could adversely affect our business, results of operations and financial condition.

We also face the risk of loss resulting from, and the adverse publicity associated with, manufacturing or quality control problems. Such adverse publicity harms the brand image of our products. We may be subject to claims resulting from manufacturing defects or negligence in storage and handling of our pharmaceutical products. The existence, or even threat, of a major product liability claim could also damage our reputation and affect consumers’ views of our other products, thereby adversely affecting our business and results of operations. Any loss of our reputation or brand image, for whatsoever reason may lead to a loss of existing business contracts and adversely affect our ability to enter into additional business contracts in the future, which may adversely affect our business and results of operations.

We maintain a high level of inventory of raw materials, work in progress and finished goods. Contamination, loss during storage and our inability to enter into sales contracts may adversely affect our business and results of operations.

The manufacturing process for producing high quality pharmaceutical grade gelatin takes approximately six months. In addition, as we need to blend different grades of gelatin to produce gelatin with the parameters our customers require, our inventory of raw materials, work in progress and finished goods is higher than for inventory in other manufacturing industries. As of September 30, 2013 and December 31, 2012, our total inventory aggregated to Rs. 8,214.53 million and Rs. 8,699.37 million, respectively, and total inventory as days of sales was 529 and 380 as of September 30, 2013 and December 31, 2012, respectively.

Given the level of inventory as days of sales, we are subject to the risk that our stocks of gelatin, if exposed to heat, water or bacteria, may be contaminated and such losses may not be recoverable under our insurance policies. As our customers are not obliged to purchase our products or provide us with binding forecasts with respect to future production, there can be no assurance that our customers will purchase the gelatin we produce. If customer demand does not meet our production levels, our business and results of operations may be adversely affected.

Our manufacturing process relies on steady supplies of raw materials. Unavailability of raw material in a timely and cost-efficient manner, or at all, may adversely affect our business and results of operations.

Our 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 our gelatin. Supplies of raw materials are subject to various bottlenecks and other hazards beyond our control, including poor road and other transport infrastructure, droughts or monsoons and civil unrest. For example, recent changes to the norms required to be followed by slaughterhouses for meat exports to EU and other developed countries caused temporary closure of many slaughterhouses in India, for improvement in the facility to meet those norms, which led to severe shortage of bones during the year ended December 31, 2012. Unavailability of raw material in a timely and cost-efficient manner, or at all, may adversely affect our business and results of operations.

In addition, to the extent that our production capacity increases, our 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 our production capacity, our production, capacity utilization and profitability may be affected.

We have no long-term purchase contracts with our suppliers and our suppliers do not provide us with binding commitments for future supplies. In the event that we experience a shortage in the supply of raw materials, we might be unable to fulfill our obligations to customers. This could cause us to lose business and might subject us to lawsuits. We can provide no assurance that supply sources will not be interrupted from time to time. 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 our business and results of operations.

Inability to protect our trade secrets and proprietary know-how may adversely affect our business and results of operation.

Customary to the pharmaceutical industry, we have important proprietary information related to our production processes and methods that is not publicly available. We treat these processes and methods as trade secrets. If we were 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 our employees or employees of our competitors will not use or disclose to third parties proprietary information or know-how obtained while working for us or for our 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, which may adversely affect our results of operations.

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

We are subject to significant central 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. We are currently permitted to discharge effluent from our 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. We may incur substantial costs in complying with requirements of environmental laws and regulations. Unknown environmental problems or conditions may be discovered or the regulatory norms may change. For example, in 2011 the central government and the state governments where we operate introduced more stringent pollution regulations relating to effluent emissions. We were required to implement a revised effluent discharge system and institute regular monitoring system for the effluent discharged at our facilities. We also had to shut down our operations intermittently as the effluent discharge was in excess of the revised norms during 2012. We incurred in excess of

Rs. 2,000.00 million for the overhaul of our effluent treatment infrastructure to ensure compliance with the new norms. As our production cycle is approximately six months, we are still operating below our total capacity after the changes in the production process and effluent discharge system and expect to reach normal levels during the current year. Our inability to comply with new norms or any further changes in these regulations may increase our compliance costs and adversely affect our business and results of operations.

If we fail to comply with regulations prescribed by governments and regulatory agencies, our business and results of operations may be adversely affected.

We operate in a highly regulated industry, and our operations are subject to extensive regulation in each market we do business, including for approval of our products before we or our distribution agents can market them, irrespective of whether these products are approved in India or other markets. Applicable regulations have become increasingly stringent, a trend which may continue in the future. The penalties for non-compliance with these regulations can be severe, including the revocation or suspension of our business license and the imposition of fines and criminal sanctions in those jurisdictions.

If we fail to comply with applicable statutory or regulatory requirements, there could be a delay in the submission or grant of approval for marketing new products. Moreover, if we fail to comply with the various conditions attached to such approvals, licenses, registrations and permissions once received, the relevant regulatory body may suspend, curtail or revoke our ability to market such products. In the United States, India, and many of the international markets in which we propose to sell our API products, the approval process for a new product is complex, lengthy and expensive. The time taken to obtain approvals varies by country but generally takes between six months and several years from the date of application. If we fail to obtain such approvals, licenses, registrations and permissions, in a timely manner or at all, our business, results of operations and financial condition could be adversely affected.

We are also subject to a broad range of safety, health, environmental, labor, workplace and related laws and regulations in the jurisdictions in which we operate, which impose controls on the disposal and storage of raw materials, noise emissions, air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations. Complying with these laws and regulations may increase our compliance costs and adversely affect our business, prospects, results of operations and financial condition.

We are also subject to the laws and regulations governing relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and termination of employees, contract labor and work permits. Our business is also subject to, among other things, the receipt of all required licenses, permits and authorizations including local land use permits, manufacturing permits, building and zoning permits, and environmental, health and safety permits. Changes or concessions required by regulatory authorities could also involve significant costs and delays which could adversely affect our financial condition and results of operation.

We may be at risk of competition if commercially viable substitutes for our products are found.

As a protein derived from nature, the properties of gelatin are difficult to replicate in alternative products. However, research is being undertaken to find replacements and substitutes for gelatin. Should a cheaper and commercially viable replacement be discovered, gelatin manufacturing would face new competition, which could have an adverse effect on our business. 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. In addition, our 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 loss of Mr Nitin J. Sandesara or other key management personnel could adversely affect our business.

Our success depends in part on the continued services of our Chairman and Managing Director, Mr. Nitin J. Sandesara and other key members of senior management. We do not carry key person life insurance for any of our senior management personnel. If we were to lose the services of key senior management personnel, it may be difficult to find and integrate replacement personnel in a timely manner. Mr Nitin J. Sandesara, in particular, is closely involved in the overall strategy, direction and management of our business. The loss of Mr Nitin J. Sandesara or any other members of senior management could impair our ability to implement our strategy, and

thus have an adverse effect on our business.

The interests of our principal shareholders may not be the same as those of our other shareholders.

As of December 31, 2013, the Promoter Group, in aggregate, beneficially owned 90,840,135 Shares equal to 33.91% of our Shares then outstanding. These persons, acting together, have the ability to control our business, including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election of our officers and Directors. These Directors and their family members may have interests that conflict with the interests of holders of the Shares or the GDRs and may take positions with which we or the other holders of Shares or the GDRs do not agree.

External Risks

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

Our financial condition and results of operations are dependent on, and have been adversely affected by, conditions in financial markets in the global economy, and, particularly in India.

The uneven global recovery reflects several underlying issues and consequent risks. First, despite indications of a recovery gathering momentum, the U.S. economy remains dependent on the extension and expansion of monetary and fiscal stimulus in the form of the continuation of near-zero interest rates, quantitative easing and tax relief measures, raising questions as to the sustainability of such policy measures and the impact of the eventual unwinding and reversal of these stimuli. In Europe, and particularly in the euro area, large budget deficits and rising public debts have triggered sovereign debt finance crises that have resulted in the bailouts of Greece, Ireland, Portugal and Spain and that have elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility.

In emerging and developing economies, particularly China, India, Brazil and Russia, risks to macroeconomic and financial stability have arisen from the influx of short-term capital, excessive currency movements and pressures on general and asset price inflation. These have necessitated further policy tightening, the introduction of liquidity management measures and the imposition of some forms of capital controls.

The resulting economic pressures and a general lack of confidence in the financial markets and fears of a further worsening of the economy have affected and may continue to affect the economic conditions in such countries. We cannot assure you that these markets will undergo a complete, timely or sustainable recovery. Such economic turmoil may continue or occur again in the future, which would adversely affect our business, financial condition and results of operations.

Political instability or changes in the Government of India could adversely affect economic conditions in India generally and our business, financial condition and results of operations.

The Government of India has traditionally exercised, and continues to exercise, significant influence over many aspects of the Indian economy. Our business may be affected by interest rates, changes in government policy, taxation, social and civil unrest or other political, economic or social developments occurring in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalization and financial sector reforms. However, the rate of economic liberalization could change and we cannot assure you that such policies will be continued. A change in the Government of India or in the Government of India's future policies could affect business and economic conditions in India and could also adversely affect our business, financial condition and results of operations.

Indian corporate and other disclosure and accounting standards differ from those observed in other jurisdictions such as U.S. GAAP and IFRS.

Our financial statements are prepared in accordance with Indian GAAP, which differs in significant respects from U.S. GAAP and IFRS. As a result, our financial statements and reported earnings could be significantly different from those which would be reported under U.S. GAAP or IFRS, which may be material to your consideration of the financial information prepared and presented in accordance with Indian GAAP contained in these Listing Particulars. You should rely on your own examination of us, the terms of the Exchange Offer and the financial information contained in these Listing Particulars.

The effect of the Companies Act, 2013 on our business cannot be predicted.

Pursuant to a notification dated August 30, 2013, the Companies Act, 2013 was notified as law. However, certain sections of the Companies Act, 2013 are yet to be notified and brought into effect. To the extent provisions have been notified, the corresponding provisions of the Companies Act stand repealed. However, the provisions of the Companies Act, the corresponding provisions for which under the Companies Act, 2013 have not yet been notified, shall continue to be in force until such notification.

The Companies Act, 2013 provides, *inter alia*, for significant changes to the regulatory framework governing the issue of capital by companies, corporate governance, audit procedures and corporate social responsibility. Although certain draft rules have been circulated for public comments, the rules under the Companies Act, 2013 are yet to be prescribed. There is no certainty whether the draft rules will be adopted in their present form or the final rules will contain provisions that increase our compliance costs. Our business and operations may be adversely affected and subject to regulatory uncertainty once the Companies Act, 2013 and the rules are brought into force. We cannot determine the impact of this legislation on our business.

Our business may be adversely affected by recent changes in competition law in India.

The Competition Act, 2002, as amended (the “Competition Act”), was enacted for the purpose of preventing practices having an appreciable adverse effect on competition in India, and has mandated the CCI to regulate such anti-competitive practices. Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and results in the imposition of substantial penalties. Any agreement among competitors which directly or indirectly determines purchase or sale prices, directly or indirectly results in bid rigging or collusive bidding, limits or controls production, supply, markets, technical development, investment or the provision of services, or shares the market or source of production or provision of services in any manner, including by way of allocation of geographical area or types of goods or services or number of customers in the relevant market is presumed to have an appreciable adverse effect on competition in the relevant market in India and is considered to be void. The Competition Act also prohibits abuse of a dominant position by any enterprise. Provisions relating to the regulation of certain acquisitions, mergers or amalgamations which have or are likely to have an appreciable adverse effect on competition and regulations issued by the Competition Commission of India with respect to notification requirements for such combinations were effective June 1, 2011.

The impact of the provisions of the Competition Act on the business environment in India cannot be predicted with certainty at this stage. Any prohibition or substantial penalties levied under the Competition Act could adversely affect our financial condition and results of operations.

The occurrence of natural or man-made disasters could adversely affect our business, financial condition and results of operations.

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our business, financial condition and results of operations. The spread of pandemic diseases or the occurrence of natural disasters could restrict the level of economic activities generally or slow down or disrupt our business activities, which could in turn adversely affect our business, financial condition and results of operations.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may adversely affect consumer confidence and the Indian and worldwide financial markets. In addition, any deterioration in relations between India and its neighboring countries may result in investor concern regarding regional stability. India has also experienced civil disturbances due to adverse social, economic and political events in India, which could continue in the future. The materialization of any of these risks could adversely affect investors’ perceptions of India and Indian companies and our business.

Any downgrade of credit ratings of India or Indian companies may adversely affect our ability to raise debt financing.

India's sovereign foreign currency long-term debt is currently rated (i) "BBB-" (negative) by Standard & Poor's, (ii) "BBB-" (negative) by Fitch and (iii) "Baa3" (stable) by Moody's. Between April and June 2012, Standard and Poor's and Fitch had downgraded India's sovereign credit outlook from "stable" to "negative," citing the absence, or inadequacy, of domestic reforms. These ratings reflect an assessment of the Government of India's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

We cannot assure you that Standard & Poor's, Fitch, Moody's or any other statistical rating organization will not downgrade the credit ratings of India. Any such downgrade would result in India's sovereign debt rating being rated speculative grade, which could adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our business, financial condition and results of operations.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.

According to a report released by the RBI, India's foreign exchange reserves totaled over U.S.\$ 275,491.60 million as of August 30, 2013. Foreign exchange reserves have decreased recently and may have adversely affected the valuation of the Rupee. Further declines in foreign exchange reserves could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates that could adversely affect our financial condition.

Risks Related to the Bonds, the Shares and the GDRs

Certain corporate actions to adjust the Conversion Price of the Bonds may require the approval of the Ministry of Finance.

The Ministry of Finance Notification dated November 27, 2008 (the "**Scheme**"), has prescribed certain pricing guidelines in relation to the conversion of FCCBs. The Scheme provides, among other things, that the conversion price of FCCBs 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 the date on which the Board of an issuer or the committee of directors duly authorized by the Board decides to open the proposed issue. The Scheme applies to the issue of the Bonds by us.

Adjustments to the Conversion Price for corporate actions including, among other matters, declarations of dividends, issue of Shares by way of capitalization of profits or reserves and a division of our outstanding Shares (including by way of stock split), may violate the pricing guidelines prescribed under the Scheme and the Company may not be able to take any corporate action that will cause the Conversion Price to be adjusted to below the floor price referred to above. See "Terms and Conditions of the Bonds".

However, we cannot assure you (i) as to how the Ministry of Finance will apply or interpret the Scheme or whether the restrictions set forth in the Scheme may prevent us from undertaking certain corporate actions, or (ii) that the Ministry of Finance will not prescribe any further pricing guidelines which will deem any adjustments by way of certain corporate actions, including declaration of dividends, issue of Shares by way of capitalization of profits or reserves and division of our outstanding Shares (including by way of stock split) to be in contravention of the Scheme.

RBI approval is required for repayment of the Bonds prior to maturity.

Under the guidelines on policies and procedures for external commercial borrowings issued by the RBI, any prepayment of an external commercial borrowing prior to its stated maturity requires the prior approval of the RBI. Therefore, any repayment of the Bonds prior to maturity as a result of early redemption pursuant to Condition 8 of the Terms and Conditions of the Bonds or acceleration of the Bonds pursuant to Condition 10 of the Terms and Conditions of the Bonds would require the prior approval of the RBI. We cannot assure you that such approval would be obtained in a timely manner, or at all.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements or the Trust Deed governing the Bonds, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Trust Deed governing the Bonds, or our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, a default by us under one debt agreement may cause the acceleration of debt, including the Bonds, or result in a default under its other debt agreements, including the Trust Deed governing the Bonds. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of its indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that we would be on terms that are favorable. Such defaults or the initiation of an enforcement action by a lender may result in a decline in the trading price of the Bonds or the Shares and you may lose all or part of your investment.

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

The Bonds are a new issue of securities for which there is currently no trading market. Although application has been made for the Bonds to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market of the Luxembourg Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders of the Bonds will be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall. If an active trading market were to develop, the Bonds could trade at prices that may be lower than the initial offering price of the Bonds.

Whether or not the Bonds will trade at lower prices depends on many factors, including:

- the market for similar securities;
- general economic conditions; and
- our business, financial condition and results of operations.

Holders of the Bonds will have no rights as shareholders until they acquire the Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Shares upon conversion of the Bonds, the holders of the Bonds will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Holders of the Bonds who acquire Shares upon conversion will be entitled to exercise the rights of holders of Shares only as to actions for which the applicable record date occurs after the relevant conversion date.

Upon a change of control or delisting of the Shares from the BSE or the NSE, or upon acceleration following an event of default, we may not be in a position to redeem or repay the Bonds.

Upon a change of control of our Company or a delisting of the Shares from the BSE or the NSE and where such delisting order has not been revoked, withdrawn or vacated for a period of 45 days, each Bondholder may require us to redeem in whole but not in part such Bondholder's Bonds. Following acceleration of the Bonds upon an event of default, we would be required to pay all amounts then due under the Bonds. See "Terms and Conditions". We may not be able to redeem all or any of such Bonds or pay all amounts due under the Bonds if (i) the requisite RBI regulatory approval is not received or (ii) we do not have sufficient resources to redeem or repay the Bonds.

Bondholders will bear the risk of fluctuation in the price of the Shares.

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Trading prices of the Shares will be influenced by, among other things, our financial condition and results of operations, and political, economic, financial and other factors. Any decline in the price of the Shares may have an adverse effect on the market price of the Bonds.

Fluctuations in the exchange rate between the Indian Rupee and the U.S. dollar may have an adverse effect on the value of the Bonds in U.S. dollar terms.

Although the principal amount of the Bonds is denominated in U.S. dollars, the Shares are quoted and traded in Indian Rupees. As a result, fluctuations in the exchange rate between the Indian Rupee and the U.S. dollar will affect, among other things, the secondary market price of the Bonds and the U.S. dollar equivalent of the Shares received upon conversion of the Bonds. The Indian Rupee has, between April 1, 2013 and December 31, 2013, depreciated against the U.S. dollar and the Euro, by approximately 12% and 18%, respectively. Accordingly, any further adverse movement of the Rupee against these currencies will increase the Rupee cost and/or decrease the Rupee revenue to us.

Future issues or sales of the Shares may significantly affect the trading price of the Bonds or the Shares and such issues or sales may not result in an adjustment to the conversion price provisions in the Terms and Conditions of the Bonds and the Trust Deed.

A future issue of Shares by our Company, the disposal of Shares by any of our Company's major shareholders, or the perception that such issues or sales may occur, may significantly affect the trading price of the Bonds or the Shares. Other than obtaining consent from some of our Company's lenders prior to altering our Company's capital structure, there is no restriction on our Company's ability to issue Shares, and we cannot assure you that our Company will not issue Shares.

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

The Shares are subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the circuit breaker in respect of the Shares is set by the stock exchanges based on the historical volatility in the price and trading volume of the Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits the upward and downward movements in the price of the Shares. As a result of this circuit breaker, we cannot make any assurance regarding the ability of shareholders to sell the underlying Shares or the price at which shareholders may be able to sell their Shares at a particular point in time.

It may take up to 40 days after the relevant Conversion Date before the Shares arising from the conversion of the Bonds are listed on the BSE and the NSE and credited to your securities account.

Our Company has undertaken to cause, as soon as practicable, and in any event not later than 40 days after the relevant Conversion Date, the relevant securities account of the Bondholder exercising its conversion right, or of its nominee, to be credited with the Shares arising from the conversion of the Bonds. Our Company has also undertaken in the Trust Deed to obtain and maintain a listing for all the Shares issued on the exercise of Conversion Rights on the BSE or the NSE. Shares issued upon conversion of the Bonds will have to be listed on the BSE or the NSE before they are tradeable on such stock exchange, which listing is expected to occur within 40 days after the relevant Conversion Date. However, we cannot assure you that the approval of the BSE and the NSE will be obtained within such timeframe. If there is any delay in obtaining the approval of the NSE or the BSE to list such Shares, such Shares shall not be tradeable on the BSE or the NSE until the listing occurs.

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

Our Articles of Association, regulations of our board of directors and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction.

Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

Investors in the Bonds, Shares and the GDRs may not be able to enforce a judgment of a foreign court against us.

Our Company is a company incorporated under the laws of India. All of our Company's directors and executive officers named herein are residents of India except Mr. Nitin J. Sandesara, Chairman and Managing Director, who is Non-Resident of India and substantially all of our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons outside India or to enforce judgments obtained against such parties outside India. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian practice.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Civil Code on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of that Section, in any country or territory outside India which the government has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the same nature of amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties.

The United Kingdom, Singapore and Hong Kong have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A of the Civil Code but certain other jurisdictions have not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a new proceeding instituted in a court of India and not by proceedings in execution. Such a suit has to be filed 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 if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to the execution of such a judgment including being subject to income tax in accordance with applicable laws. In addition, any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of payment. We cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

Risk relating to the EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") Member States of the European Union are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident, or to certain limited types of entities established, in another Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no interest be withheld) (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information

exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On September 15, 2008, the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the European Commission's advice on the need for changes to the Savings Directive. On November 13, 2008, the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on April 24, 2009. If any of those proposed changes (or indeed any other changes) are made in relation to the Savings Directive, they would amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying and Conversion Agent nor any other person would be obliged to pay additional amounts with respect to the Bonds as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying and Conversion Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

MARKET PRICE INFORMATION AND OTHER INFORMATION ABOUT OUR SHARES

Our Shares have been listed on the BSE since August 1985 and on the NSE since May 2003. The table below sets forth, for the periods indicated, the high and low closing prices for our Shares on the BSE and NSE and the aggregate average volume of trading activity on the BSE and NSE for our Shares. On March 20, 2014, the closing price of our Shares on the BSE was Rs. 8.05 per Share and on the NSE, the closing price was Rs. 7.99 per Share.

Year Ended December 31,	Actual Closing Price per Share					NSE Average Daily Trading Volume
	BSE High	BSE Low	BSE Average Daily Trading Volume	NSE High	NSE Low	
	(Rs. per Share)	(Rs. per Share)	(number)	(Rs. per Share)	(Rs. per Share)	(number)
2009	170.00	90.05	242,003	172.00	90.00	381,797
2010	125.65	90.00	246,175	125.60	90.75	383,270
2011	106.80	21.30	426,429	106.60	21.40	479,988
2012	20.25	4.94	464,757	20.35	4.85	645,906
2013	10.45	3.43	160,867	10.30	3.45	256,343
2014						
First Quarter						
(January 1 to January 31,						
2014)	9.20	6.76	65,719	9.20	6.80	102,784
(February 1 to February						
28, 2014)	7.88	6.71	38,171	7.95	6.70	58,038

Source: BSE and NSE websites

Dividends

The following table sets forth the aggregate number of outstanding Shares entitled to dividends, as well as the cash dividends provided on the Shares in respect of each of the financial years indicated.

	Year ended December			
	Payment date	Share capital	Dividend per Share	
			(Rs.)	(in Rs. million)
2010	July 21, 2011	267,873,590	0.50	133.94
2011	N.A.	267,873,590	N.A.	N.A.
2012	N.A.	267,873,590	N.A.	N.A.

Notes:

- (1) The Company is currently liable to pay a “dividend distribution tax” at the rate of approximately 15.0% (plus applicable surcharge on dividend distribution tax and education cess on dividend distribution tax and surcharge) on the total amount distributed as dividends. The above figures do not include dividend distribution taxes, which amounted to Rs. 22.76 million for 2010.

The Company is not permitted to declare any dividend which is not recommended by the Board. The Board may authorize the payment of an interim dividend. No dividend may be paid except out of the profits of the Company pursuant to Section 205 of the Companies Act. See “Description of the Shares – Dividends”.

The form, frequency and amount of future dividends on the Shares will depend upon the Company’s earnings, cash flow, financial condition and other factors and shall be at the discretion of the Board.

Certain loan agreements to which the Company is a party require it to obtain the consent of and/or give prior notice to lenders before making dividend payments in the event of debt service default. See “Risk Factors – Internal Risks”.

For information relating to taxes payable on dividends, see “Taxation”.

Share Capital

The Company's authorized share capital is Rs. 500.00 million divided into 500 million Shares of Re. 1.00 nominal value each.

	As at December 31, 2013
	Amount
	<i>(in Rs. million)</i>
Authorized 500,000,000 Shares of Re. 1.00 each	500.00
Issued and Subscribed 271,597,590 Shares of Re. 1.00	271.60
Paid-up 267,873,590 Shares of Re. 1.00.....	267.87

There have been no changes in the issued share capital of the Company during the last three years.

The Company has outstanding U.S.\$ 134.5 million in principal amount of convertible bonds. Full conversion of such bonds at the current conversion price would give rise to the issue of 34,628,823 Shares.

Certain of our loan agreements provide that the lenders, upon a debt service default, may convert their loans into Shares at the nominal/par value of the Shares.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on information reported by the Federal Reserve Bank of New York. The exchange rate as at September 30, 2013 was Rs. 62.58 = U.S.\$ 1.00 and the exchange rate as at February 28, 2014 was Rs. 61.78 = U.S.\$ 1.00. 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.

	Year ended December 31,			
	Period End	Average	High	Low
	(Rs. per U.S.\$ 1.00)			
2010	44.80	45.65	47.49	43.90
2011	53.01	46.58	53.71	44.00
2012	54.86	53.37	57.13	48.65
2013	61.92	58.51	68.80	52.99
2014.....				
First Quarter				
(January 1 to January 31).....	62.63	62.11	63.09	61.45
(February 1 to February 28).....	61.78	62.16	62.63	61.78

Source: Federal Reserve Bank of New York

USE OF PROCEEDS

The Bonds are being issued pursuant to an offer to exchange our Existing Bonds for the Bonds pursuant to the Exchange Offer Memorandum dated October 29, 2013 and an extraordinary resolution of the Existing Bondholders dated November 20, 2013 approving the cashless exchange and substitution of the outstanding Existing Bonds with the Bonds, as set out in the Exchange Offer Memorandum. Accordingly, our Company will not receive any proceeds from the offering of the Bonds contemplated hereby.

The Issuer's objectives for the Exchange Offer are set out below:

- (i) to lengthen the Issuer's debt maturity profile;
- (ii) to enhance the chances of the debt held by Holders of Existing Bonds who exchange such Existing Bonds for Bonds converting into equity if the Issuer's stock price performs well, thereby extinguishing such debt; and
- (iii) to improve the Issuer's capital structure.

By participating in the Exchange Offer, each Holder has agreed that the exchange of any of its outstanding Existing Bonds for the Bonds constitutes a repurchase of such Existing Bonds by the Issuer pursuant to Condition 8.7 of the Existing Bond Conditions, and the receipt of the Bonds by such Holder constitutes the payment of consideration by the Issuer for such a repurchase.

CAPITALIZATION

The following table sets forth our capitalization and total debt as of December 31, 2013, on an actual basis and as adjusted to give effect to the issuance of the Bonds. This table should be read in conjunction with our Financial Statements and the related notes thereto contained elsewhere in these Listing Particulars.

	Actual		As Adjusted	
	(in Rs. million)	(in U.S.\$ million ⁽¹⁾)	(in Rs. million)	(in U.S.\$ million ⁽¹⁾)
Debt				
Short-term debt (excluding current portion of long-term debt)	16,925.22	273.34	16,925.22	273.34
Current Maturities	19,702.96	318.20	19,702.96	318.20
Long-term debt	9,477.85	153.07	9,477.85	153.07
The Bonds	-	-	12,784.25	206.46
FCCB	12,572.22	203.04	-	-
Total debt	58,678.25	947.65	58,890.28	951.07
Shareholders' Funds				
Total share capital:	267.87	4.33	267.87	4.33
Equity shares par value Re. 1.00 each: 500,000,000 shares authorized; 267,873,590 shares paid-up				
Share premium ⁽²⁾	9,759.80	157.62	9,759.80	157.62
Other Reserves	4,673.57	75.48	4,673.57	75.48
Total shareholders' funds	14,701.24	237.42	14,701.24	237.42
Total capitalization ⁽³⁾	73,379.49	1,185.07	73,591.52	1,188.49

Notes:

- (1) The translations from Rupee to U.S. dollar, or the U.S. dollar to Rupee, as the case may be, have been made on the basis of the noon buying rate in New York City on December 31, 2013, for cable transfers in Indian Rupees, as certified for customs purposes by the Federal Reserve Bank of New York of Rs. 61.92 = U.S.\$ 1.00.
- (2) Share premium as adjusted for GDRs does not include deduction of underwriting fees, discounts and commissions.
- (3) Except as disclosed above, there has been no material change to our capitalization or contingent liabilities since December 31, 2013.

INDUSTRY OVERVIEW

The Gelatin Industry

Gelatin is derived from the protein, collagen. Gelatin is a natural and healthy foodstuff with a long tradition. The pure protein offers a large number of as yet unbeaten advantages and plays a major role in the modern food industry. Gelatin is suitable for gelling, thickening and stabilizing dishes and gives them their creamy consistency.

The gelatin industry at present consists of three large companies who account for the majority of sales in the world market and a small group of about 25 to 30 companies who share the balance of the world market. A substantial portion of gelatin production is undertaken in high cost continents and countries such as Europe (pig), North America and Japan (fish and cattle) (*Source: Gelatin Manufacturers of Europe ("GME")*).

Economic development has a direct effect on the living standard of consumers, and is a major macro factor contributing to the market for gelatin. Europe leads the overall market for gelatin both in terms of production and consumption. However, the bovine spongiform encephalopathy outbreak in Europe had a significant impact on the gelatin industry over that period of time. In Asia, economic development in China and India is expected to drive the market.

The market for gelatin is primarily driven by its growing use in end user industries such as food and beverages, pharmaceutical, and cosmetics. Growing health concerns and the ageing population, especially in western countries, is also acting as one of the major factors driving this market. However, cultural barriers across the world to use gelatin derived from animals is a major factor that inhibits the overall market growth. Further, regulatory issues primarily in the food industry, are also certain challenges that participants face in the global market.

Global Markets – Volume

The largest market for gelatin is the food and food processing industry. The consumption of gelatin for this industry (edible gelatin) represents approximately 61 % (about 192,000 MTPA) of the total market. This market also includes the nutraceutical segment, which is the market for health supplements, vitamin capsules and tablets. We estimate that demand from the nutraceutical segment represents approximately 35 % (about 110,000 MTPA) of the total market.

The second largest market for gelatin is the pharmaceutical industry with an estimated consumption of approximately 21 % (about 66,000 MTPA) of the total market. We manufacture gelatin for the pharmaceutical and nutraceutical segments and we estimate that our addressable market in these segments is approximately 176,000 MTPA.

The photographic industry is the third largest consumer of gelatin, consisting of 13 % (about 40,500 MTPA) of the total market in various applications.

In addition to the three types of gelatin produced for the above-mentioned industries, technical gelatin is also produced. This is used in the manufacture of abrasive papers, in sizing paper and textiles and in the production of printers' rollers and matches.

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.

The highest price is commanded by photographic gelatin, which is produced by only a few of the existing gelatin manufacturers.

The second highest price is commanded by pharmaceutical gelatin. For the production of capsules, for example, there are demanding specifications and the capsules can only be produced in modern plants in which attention to

hygiene and quality control is of paramount importance. The producers of capsules, which is one of the largest end-uses of pharmaceutical gelatin, are generally multinational businesses so that although there are a large number of capsule plants throughout the world, the actual number of potential customers for pharmaceutical gelatin is relatively small. The existence of these exacting specifications means that it is extremely difficult for new manufacturers to penetrate this market, as the pharmaceutical industry has first to be convinced of the satisfactory quality of the capsules produced and, thereafter, of reliability of supply.

The range of prices for edible gelatin fall below that for pharmaceutical gelatin and are below that required for photographic gelatin. The specifications for edible gelatin are slightly less important and demanding than those for pharmaceutical gelatin. The market for edible gelatin is the largest and the range of types required is wider.

While gelatin for the food and pharmaceutical industries must satisfy the appropriate chemical, physical and bacteriological specifications, the pricing of gelatin for both industries is largely determined by the bloom strength or bloom value of the products. In simple terms, bloom strength is an approximate measure, defined under exact, prescribed conditions, of the ability of any gelatin to form a gel. The higher the bloom strength, the firmer the gel produced under standard conditions or the smaller the quantity of gelatin that must be used to produce a gel of standard strength. Consequently, the price of gelatin is directly related to the bloom strength, with high bloom gelatin fetching more than twice the price of low bloom gelatin. Commercial gelatin varies in bloom strength from less than 100 bloom to greater than 250 bloom.

This reflects the highly technical and specialized nature of photographic gelatin and the fact that the cost of the gelatin raw material accounts for a much smaller percentage of the final cost of the photographic products than edible gelatin of the food and pharmaceutical products containing gelatin.

Domestic Market

The production of gelatin in India began in the early 1960s. Shaw Wallace Gelatin Limited began commercial production in 1961 and Protein Products of India Limited (now Rallis India Limited) began production in 1963. Sterling Tea and Industries Limited (now Sterling Biotech Limited) began production in 1997. On April 1, 2004, we completed the acquisition of the gelatin division of Rallis India Limited. We are the dominant player in the domestic market. Our installed capacity as well as that of our key competitors in India are as follows:

Manufacturer	Installed Capacity
	MTPA
Sterling Biotech Limited.....	22500 ⁽¹⁾
Narmada Gelatin Limited (formerly known as Shaw Wallace Gelatin Ltd)	2400 ⁽²⁾
Nitta Gelatin India Limited	4000 ⁽³⁾

Notes:

(1) Based on our installed capacity as at December 31, 2012.

(2) Based on the annual report for the year ended March 31, 2011 for Narmada Gelatin Limited.

(3) Based on the annual report for the year ended March 31, 2011 for Nitta Gelatin India Limited.

Our customer base is centered upon the pharmaceutical and nutraceutical end-user industries. We sell in both the domestic and the international markets.

Opportunities and Threats

Europe dominates the worldwide gelatin market in terms of production and consumption volumes, with Germany and Russia being the leading gelatin markets in Western Europe. In Asia, China and India contribute significantly to the growth of the gelatin business with a projected CAGR of approximately 3.7% through 2017. In terms of annual consumption volume, food and beverage represents the largest end-use segment. Gelatin is also widely used as an adhesive agent in the pharmaceuticals industry for tableting medicines in the form of both hard and soft capsules. The pharmaceutical segment is expected to outpace the overall industry average with a growth rate of 4.4% over the analysis period.

The food industry is largely governed by health-related regulatory issues and there is growing emphasis on healthy, low fat food, prompting the growth of gelatin substitutes free from animal content. However, while these alternatives meet some gelatin characteristics, none is yet available that matches all the functions such as gelling, binding, thickening, stabilizing, film forming, and aerating properties.

The export demand for gelatin is expected to increase in the coming years given the amendments in the safety of bovine bone gelatins projected by world organizations. However, there will still be pressure on raw material prices and its availability. Prices for gelatin are likely to remain firm given these conditions in the short to medium term.

Lovastatin and Other Oncology Products

Lovastatin has wide application as a cholesterol lowering agent. It reduces blood cholesterol levels and, as a result, reduces the risk of various cardiovascular disease such as angina pectoris, cardiac arrest and coronary heart disease. The product is also used as an intermediate / raw material for Simvastatin which is more potent and efficacious compared to Lovastatin.

The annual market demand for Lovastatin for formulations (as tablets) is approximately 150 MT and for the manufacture of Simvastatin is approximately 2500 MT. The domestic market demand for Lovastatin is about 300 MT annually.

BUSINESS

Introduction

We are one of the leading producers of gelatin in the world. As of December 31, 2013, we had a gelatin manufacturing capacity of 22,500 MTPA. We are accredited vendors to several key customers, which include some of the leading global pharmaceutical manufacturers. Further, we are in the process of completing our Jambusar facility in Gujarat which, once completed, will have a gelatin manufacturing capacity of 9,000 MTPA.

As a byproduct of the gelatin manufacturing process, we also produce DCP. We are also engaged in the production of Lovastatin, a pharmaceutical product, and certain other API including oncological products such as Daunorubicin, Doxorubicin, and Epirubicin.

Our principal product, pharmaceutical grade gelatin, has a wide range of applications such as capsules, tablets, health supplements, surgical aids, suppositories, as a blood plasma expander and in the treatment of arthritis, bleeding disorders and cartilage related diseases. We custom make gelatin to our customers' specifications. The principal parameters for gelatin are bloom strength, or the ability of gelatin to form a gel under prescribed conditions, viscosity and pH. Our customers require gelatin with various parameters, generally according to its final application.

We sell DCP to poultry feed manufacturers in India, who use it in poultry feed to protect poultry against rickets. DCP may also be used in products such as talcum powder and toothpaste. Lovastatin is a cholesterol reducing drug, and our API product portfolio includes anti-cancer, anti-depression, anti-diabetic and cholesterol reducing drugs.

Currently, we have two operational gelatin and DCP manufacturing facilities at Karakhadi in Gujarat and Ooty in Tamil Nadu, with an installed capacity of 20,300 MTPA and 2,200 MTPA, respectively. In addition, we are developing an additional gelatin and DCP manufacturing facility at Jambusar, Gujarat which shall increase our installed capacity to manufacture gelatin by 9,000 MTPA. We also have a facility at Masar in Gujarat, which has an installed fermentation capacity of 348 MTPA for Lovastatin, APIs and a R&D Centre for carrying out research and development for the development of new pharmaceutical ingredients.

Gelatin, accounted for Rs. 4,133.09 million and Rs. 5,449.26 million, or 72.9 % and 65.3%, of our total revenue for the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively. For the nine months ended September 30, 2013 and the year ended December 31, 2012, we had total revenue of Rs. 5,710.52 million and Rs. 8,347.74 million and net loss of Rs. 2,946.62 million and Rs. 3,497.74 million, respectively.

As of December 31, 2013, Mr Nitin J. Sandesara and Mr. Chetan J. Sandesara, together with members of their immediate families and entities controlled by them, in the aggregate, beneficially owned 90,840,135 Shares amounting to 33.9% of our outstanding Shares.

History

Our Shares are currently listed in India on the BSE and the NSE. In October 2003, we issued 2,328,045 GDRs at a value of U.S.\$ 6.60 each, representing 13,968,270 underlying Shares of Rs. 2 each. All the GDRs are listed on the Luxembourg Stock Exchange.

We began our operations as a trading company in 1985. In 1994, as part of an overall growth strategy, our management identified gelatin as a niche and potentially high growth area, and in 1997 our first manufacturing facility was commissioned and we began to produce pharmaceutical grade gelatin. Our name was changed to Sterling Biotech Limited with effect from March 2001 to reflect our main objective, which is to manufacture and sell biotechnology products. We successfully commissioned our first gelatin production facility, with an installed capacity of 2,200 MTPA, at Karakhadi, Vadodara in 1997. In April 2004, we completed the acquisition of the gelatin division of Rallis India Limited at Ooty in Tamil Nadu, which has a capacity of 2,200 MTPA. In March 2006, we enlarged our product portfolio following the acquisition of Torrent Gujarat Biotech Limited's manufacturing facility at Masar in Gujarat which focused on the production of CoQ10. Since then we have discontinued the manufacturing of CoQ10 and now manufacture Lovastatin.

Our Key Strengths

We believe that the following are our key competitive strengths:

- *High Quality Production Techniques and Products.* We have established automated gelatin production facilities which operate on a continuous basis and enable us to produce gelatin of international standards. Our facilities are certified under ISO 9001, have received hazardous analysis and critical control point (“HACCP”) certification and our gelatin has been certified by the European Directorate for Quality of Medicine (“EDQM”). We are accredited vendors to several key customers, which include some of the leading global pharmaceutical manufacturers. As a result, we are an established participant in the global market for pharmaceutical grade gelatin and are well positioned to take advantage of the strong demand for gelatin.
- *Lower Production Costs.* Our manufacturing facilities are all located in India. We believe that our production costs are lower than that of our principal competitors in the United States, Europe and Japan. We have access to buffalo bones, our principal raw material, from bone millers all over India and we believe they are available at a lower cost in India than in the United States, Europe and Japan. HCL and hydrated lime are also available at a lower cost than in more developed countries. In addition, skilled professionals, which we have access to, are available in India at lower cost than in more developed countries.
- *High Barriers to Entry.* The gelatin manufacturing industry is dominated by a small number of largely private companies. The gelatin industry is capital and technology-intensive, thus disincentivising new entrants. In line with the existing participants in the gelatin industry, we have proprietary production processes and methods. We have a total installed capacity, as of December 31, 2013, of 22,500 MTPA, and once we complete our Jambusar facility, our capacity will increase by 9,000 MTPA. We have also recently invested in improved effluent treatment capabilities to ensure compliance with new regulations on the treatment of hazardous waste substances. As a result, we believe that our capital expenditure required for maintenance going forward will be minimal. As a result, we believe that it will be difficult for new entrants without experience to enter the gelatin market.
- *Leading Position in the Asian Pharmaceutical Grade Gelatin Market.* We believe that we are one of the leading gelatin manufacturers in Asia who can produce pharmaceutical grade gelatin within the parameter requirements of our global pharmaceutical customers. We believe that we are one of the leading pharmaceutical grade gelatin producers in Asia as well as the world. We also believe that we are well-positioned to take advantage of the continued growth in the Indian pharmaceutical market for generic drugs.

Our Business Strategies

We intend to strengthen our market position by implementing the following business strategies:

- *Continue to Leverage the Demand for Gelatin.* In order to increase our domestic and global market share, we intend to continue to focus on increased demand for newer products that require gelatin.
- *Focus on Maintaining Financial Efficient Operators.* We intend to focus on our profitability and financial condition in the next three to five years. We intend to renegotiate certain of our long-term supply contracts with bone suppliers to make them fixed rate contracts and negotiate lower operations rate for supply than the current rates paid by us and ensure that we have steady supply of high quality bones. We are also in the process of reviewing our operational performance to reduce the amount of bones required during the production process. We have also switched to power purchased from the grid instead of power generated by furnace oil-based generators to reduce our fuel and power costs. We are also in the process of negotiating a debt refinancing scheme with our lenders for our term and working capital loans to manage our indebtedness and to reduce our borrowing cost. The restructuring package is currently being considered by our lenders. We expect to complete this restructuring by March 31, 2014.
- *Increase Focus on Other Pharmaceutical Products.* While we primarily focus on the production of pharmaceutical grade gelatin, we intend to leverage our experience in the pharmaceutical industry to expand our product range. We will continue to focus on fermentation-based high-quality Lovastatin. We will continue to engage in the development of API products at our production facility located at Masar,

Vadodara. We also provide contract manufacturing services for APIs. We have developed a new modern research facility that has received approval from the Department of Science and Technology (“DST”) and the Council of Scientific and Industrial Research (“CSIR”) for servicing the needs of other pharmaceutical manufacturers. We have developed, or are in the process of developing, various anti-cancer, anti-depression, anti-diabetic, and cholesterol reducing drugs. We expect that demand for such drugs will continue to increase in the next two to three years and we have formulated an extensive marketing strategy to take advantage of this.

Products

Pharmaceutical Grade Gelatin

Our principal product is pharmaceutical grade gelatin, which accounted for Rs. 4,133.09 million, Rs. 5,449.26 million, Rs. 10,848.95 million, and Rs. 9,900.29 million, or 72.9%, 65.3%, 65.3%, and 61.2%, of our total revenue for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011, and 2010.

For the nine months ended September 30, 2013, international and domestic sales of pharmaceutical grade gelatin accounted for 38.5% and 34.3% of our total revenue, respectively. For the year ended December 31, 2012, international and domestic sales accounted for 54.0% and 46.0% of our revenue, respectively, and for the year ended December 31, 2011, it accounted for 58.2% and 41.8%, respectively of our total revenue.

Properties and Applications

Pharmaceutical grade gelatin has a wide range of applications such as capsules, tablets, health supplements, surgical aids, suppositories, as a blood plasma expander and for the treatment of arthritis, blood disorders and cartilage related diseases. The properties of gelatin, including its water-binding and emulsifying characteristics, elasticity, high protein content and viscosity, the absence of cholesterol, fat, sugar and carbohydrates, its neutral taste, odour, easy digestibility and longevity when stored under correct conditions, make it a highly versatile product for the pharmaceutical and nutraceutical industries.

As gelatin is produced from collagen, a natural protein, it is classified as a food substance and therefore does not require clinical trials before it can be sold to the public. The World Health Organisation and the European Commission for Health and Consumer Protection have confirmed that gelatin is a safe substance and it has the status of “Generally Recognised as Safe” in the United States. The USFDA has approved gelatin as a drug delivery mechanism for all master files. The largest end-use for the gelatin we produce is in capsules and tablets, for use by the pharmaceutical and nutraceutical industries. Once the gelatin we supply has been prepared in the required form, which is generally in either hard capsules, soft gels or tablets, by pharmaceutical or health supplement companies, the capsule or tablet is filled with the required dosages of their products in a dry or liquid form. Gelatin melts at 34°C and plays an important role in the gradual and timely release of medication. When it is prepared in tablet form, it enables printing and colour for product identification. We have received kosher and ifanka (halal) certifications for our gelatin and certification from the EDQM. See “– Quality Certifications”.

Parameters

We custom make gelatin to our customers’ specifications. The principle parameters for gelatin are bloom strength, or the ability to form a gel under prescribed conditions, viscosity and pH. Our customers require gelatin with various parameters, generally according to the final application of the gelatin. We believe that our gelatin is manufactured to the highest international quality standards. Typical parameter ranges for edible gelatin produced from animal bones are as follows:

Parameter	Range
pH	5.0-7.5
Isoelectric point	4.7-6.0
Gel strength (bloom)	50-300

Parameter	Range
Viscosity (mps)	20-75
Ash (%)	0.5-2.0

Source: Gelatin Manufacturers Association of Asia Pacific (www.gmap-gelatin.com).

The pricing for gelatin for the food and pharmaceutical industries is largely determined by its bloom strength. The higher the bloom strength, the firmer the gel that is produced under standard conditions or the smaller the quantity of gelatin that has to be used to produce a gel of standard strength. Consequently, the price of gelatin is directly related to the bloom strength. Generally, high bloom gelatin is priced at a level more than twice that of low bloom gelatin.

Di-Calcium Phosphate

During the manufacturing process of gelatin, the bones react with HCL to produce DCP as a co-product. We sell DCP to poultry feed manufacturers in India who use it to protect poultry against rickets. DCP is also used in products such as talcum powder and toothpaste.

Sales of DCP accounted for Rs. 707.87 million, Rs. 1,205.02 million, Rs. 2,399.07 million and Rs. 2,564.23 million, or 12.5%, 14.4%, 14.4%, and 15.9%, of our total revenue for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011, and 2010, respectively.

Hydrolised Proteins

During the financial year 2013, we produced hydrolized proteins, the sales of which accounted for Rs. 237.84 million or 4.2 % of our total revenue for the nine months ended September 30, 2013.

Lovastatin

In 2012, we commenced commercial production of Lovastatin at our Masar facility. Lovastatin is a cholesterol reducing drug. We have a total fermentation installed capacity of approximately 348 MTPA for Lovastatin.

Sales of Lovastatin accounted for Rs. 471.35 million and Rs. 266.87 million or 8.3%, and 3.2%, of our total revenue for the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively.

Active Pharmaceutical Ingredients

We engage in the development and production of various, APIs including oncology products at our production facility located at Masar, Vadodara. We also provide contract manufacturing services for APIs. We have developed a modern research facility that has received approval from the DST and the CSIR for servicing the needs of other pharmaceutical manufacturers. We have developed or are in the process of developing various anti-cancer, anti-depression, anti-diabetic, and cholesterol reducing drugs. The drugs introduced, or in the process of being introduced by us, include:

Anti-Cancer Drug	Anti-Depression Drug	Anti Diabetic Drug	Cholesterol Reducing Drug
Daunorubicin USP Doxorubicin USP/IP Epirubicin BP/EP Imatinib Mesylate IP Temozolamide Zoledronic Acid	Venlafaxine	Metformin	Lovastatin Technical/USP

Sales of APIs accounted for Rs. 360.90 million and Rs. 350.67 million, or 6.4%, and 4.2%, of our total revenue for the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively.

Production Processes

Production of Gelatin

Gelatin is derived from collagen. The three materials suitable for producing gelatin on a commercial scale are pork skin, cattle skin and animal bone. We use buffalo bone to produce our gelatin in India .

Our production process is as follows:

- *Bone Regradation and Degreasing*

Bones are graded according to their physical characteristics and are treated in a degreasing unit to remove between 97.0% and 98.5% of fats using a mild hot water treatment.

- *Demineralization Process*

Bones are comprised of ossein, the organic component, and tricalcium phosphate, the mineral component. The separation of mineral components from the organic matter is accomplished by treating the bones with a low concentration of Hydro Chloric Acid ("HCL") at a low temperature for a certain period of time. Through such treatment, HCL reacts with tricalcium phosphate from the bone and forms monocalcium phosphate ("MCP"). The organic component, acid ossein, is normally unaffected during the acid treatment and is pumped into pre-liming tanks. After acid-free washing, the ossein goes to liming tanks.

MCP is separately precipitated by using the liquor in precipitation vats to convert it into DCP, which is dried and sold as a by-product.

- *Liming Process*

At neutral pH, the raw material collagen dissolves very slowly in hot water and produces gelatin with poor physical properties. So, collagen is pre-treated with a lime slurry to allow the conversion to gelatin to take place under conditions of moderate temperature and pH. For this purpose, the demineralized bones are washed in log washers and are pumped to the liming pits where lime is added. The ossein pieces are treated with chilled diluted milk of lime to remove unwanted proteins, fats and sugars, thereby improving the purity of the ossein.

The length of the liming process depends on the characteristics of bones, the concentration of lime, ambient temperature and the quality of gelatin required by the customer. At regular intervals liming vats are stirred and aerated to ensure uniform treatment and to avoid anaerobic conditions. Lime is preferred to other alkalis because its low solubility acts as a natural regulator of pH.

- *Washers*

From the liming pits, the ossein, having absorbed lime from the process, has to be washed to remove the lime. This is done in specially designed washers. The residual lime is then removed by treating the ossein in diluted acid followed by further washing with water. It is washed until the final water is near neutral pH. The collagen and gelatin are susceptible to bacterial action so to avoid this, sulphur dioxide is usually used as a preservative. After the washing, the ossein is transported to the extraction equipment.

- *Extraction*

Gelatin is extracted from ossein in a series of extractions with hot water at increasing temperatures. The pH, temperature, time and number of extracts depends upon the nature of the raw material and the quality of gelatin required by the customer. Gelatin, in the form of a weak liquor, comes out from the extraction vessel where the processed ossein has been treated with hot demineralised and sterilised water.

- *Filtration, De-Ashing, Evaporation, Sterilisation, Chilling and Drying*

The gelatin liquor is purified by successive filtration using centrifugal force. The removal of inorganic impurities is effected by de-ionization. The extracted gelatin liquor is then evaporated and the liquor is

concentrated to 30.0% from a solid content of about 4.0% to 6.0%

The concentrated gelatin solution is flash pasteurized at 120°C and instantly chilled and extruded to form noodles or ribbons of gelatin. The noodles are then passed through a continuous dryer and are pre-ground and fine ground, and are then sent to the storeroom.

- *Blending, Grinding and Packing*

After being placed in the store room, the gelatin is checked for bloom strength, viscosity, bacteria and chemicals. The gelatin is then blended, reground and packed according to customer specifications.

Production of Lovastatin

The production process for Lovastatin can be divided into five phases:

- *Inoculum Development*

Inoculum development is carried out in a laboratory where the stock of lyophilized culture is transferred to sterile medium containing yeast extract, glucose and salts as nutrients, and is incubated to enable the formation of isolated colonies. Only the finest isolated stock cultures are selected for use in preparation for inoculum preparation.

- *Plant Seed Preparation*

Prior to fermentation, a plant seed must first be pre-developed in two stages. In the first stage the seed is placed in a seed fermentor containing a sterilized nutrient medium. Here the seed is allowed to grow with required aeration and agitation. Once the seed is matured it is transferred to the second stage of seed preparation during which the seed is allowed to germinate in the seed fermentor. In this fermentor, a nutrient is prepared, sterilized and cooled then inoculated into the first stage plant seed to stimulate the ideal growth conditions, such as suitable temperature and proper aeration, required for seeds to germinate. Once the seed has matured it is transferred to the production fermentor.

- *Fermentation*

During the fermentation stage, the nutrient medium is sterilised, cooled and inoculated into a second seed fermentor. Once the desired concentration is achieved in the fermentation broth, the batch is harvested for isolation and purification.

- *Isolation and purification*

The harvested lot is first reduced by a micro filtration system. The product is then extracted in its soluble form. The extracted product is after concentrated to reduce minimise its volume. Purification may involve a variety of different techniques, depending on the intended result. After removing the impurities the crude product is isolated by concentration and filtration. The crude product is then dried. For the further purification during the final stages, crystallization is carried out from the items dried.

- *Packaging*

Once the product is analysed and is found to satisfy the specified quality thresholds, it is packaged and stored as in varying conditions depending on the product.

Raw Materials and Suppliers

The main raw materials we use in the manufacture of gelatin are crushed bones, HCL and lime. Bone is the key raw material. The yield in the production depends largely on the quality of the bone. Other than quality of bone, factors like optimum utilization of facility, uninterrupted operations, also improves the yield in the production. Currently, we source our bone requirement from within India.

In order to produce high quality pharmaceutical grade gelatin with the parameters that our customers require,

our gelatin manufacturing process can take up to six months. As a result, our inventory of raw materials, work in progress and finished goods is higher than for inventory in other manufacturing industries. In addition, our quality testing of the bones and our advance purchase of them to ensure consistent supply also lengthen the inventory cycle. See “Risk Factors – Internal Risks – We maintain a high level of inventory of raw materials, work in progress and finished goods”.

The following table sets out the cost of our main raw materials, and as a percentage of total raw material costs, for the periods indicated:

	Nine months ended September 30,		Year ended December 31,					
	2013		2012		2011		2010	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
<i>(Rs. in millions, except percentages)</i>								
Bones/Fish skin	1,845.90	62.3	3,506.30	72.9	4,078.59	52.8	3,266.23	48.8
HCL	323.53	10.9	577.95	12.0	1,137.10	14.7	884.68	13.2
Hydrated lime	204.50	6.9	207.42	4.3	407.58	5.3	351.98	5.3
Other	590.34	19.9	519.60	10.8	2,107.04	27.3	2,185.44	32.7
Total	2,964.27	100.0	4,811.27	100.0	7,730.31	100.0	6,688.33	100.0

Bones

India is one of the largest meat exporters in the world and therefore one of the largest sources of bones. Our manufacturing requirements for bones are met from the various bone millers situated throughout the country.

We believe India produces approximately 600,000 MTPA of bones. We also believe that the cost of bones in the United States, Europe and Japan is approximately between 1.5 to 2.5 times higher than in India.

Gelatin can be manufactured using bones from various buffalo limbs. We generally use the leg bones as they are harder and contain more collagen than softer rib bones. Aside from the monsoon season, the generally dry, warm climate in the areas where our facilities are located enables us to air-dry the bones rather than using power to dry them, thereby reducing production costs compared to our competitors outside of India. Gelatin may also be manufactured using pig, cattle and fish skin. Although there has been some research into the use of alternative natural sources of collagen, we believe that there are currently no other commercially viable sources of collagen.

HCL

Vadodara is a petrochemical zone and, accordingly, HCL is available locally at competitive prices.

Hydrated Lime

Hydrated lime is readily available from Rajasthan, a neighboring state, which has the largest limestone belt in India.

Other

Other raw material includes chemical and raw material required for production of Lovastatin and other oncology products.

Research and Development

We undertake research and development at our in-house R&D center with a specific focus on improvement of product quality, process improvements, cost effectiveness and elimination of waste in our production processes.

We also carry out research and development works on fermentation products, API and other intermediate products. We have set up a state-of-the-art R&D at our Masar facility, Vadodara, Gujarat. This centre is engaged in the development of complex and niche generic active substances. We also have a microbiology laboratory, which is equipped to handle culture maintenance, inoculums preparation and propagation, in-process batch

analysis and shake flask trials.

Quality Control and Certifications

Our gelatin is accompanied by a certificate of analysis which certifies the parameters of the product. Quality testing is carried out at each stage of the production process. Our pharmaceutical grade gelatin must be produced under strict processing regulations and practices to avoid contamination. After the extraction stage of the production process, the gelatin is prepared in a sterile environment in order to minimise the bacterial content.

In accordance with our policy to achieve and maintain the highest standards of quality, we have the following quality certifications:

Religious Certifications. Our gelatin produced in India has received kosher and ifanka (halal) certifications, indicating that it has been produced using processes that are in accordance with the standards required for consumption by observant Jews and Muslims.

HACCP Certification. This certifies that our products have been manufactured according to the highest and most consistent quality and safety standards.

ISO 9001. This certifies that the production process is in accordance with standards laid down by the International Standards Organisation.

ISO 14001. This certifies that the environment management system conforms to the Environmental Management System Standard.

EDQM. This certification is issued by the EDQM and is essential for selling pharmaceutical gelatin in the European Union. The Pharmacopoeia is a set of guidelines and standards for the production of medicines issued by the EDQM and has the force of law. EDQM audits the producers for conformity. In addition the producers must provide a quantitative BSE risk assessment.

Properties and Plants

India

Our manufacturing facilities are situated at Karakhadi, Vadodara in Gujarat, Ooty in Tamil Nadu and Masar in Gujarat. We own and use 483,821 sq.m. of land and premises at Karakhadi, Vadodara for the purpose of carrying out our business. We own and use 53,236 sq.m. of land and premises at Ooty for the purpose of carrying out our business. We acquired 294,726 sq.m. of land and premises at Masar in Gujarat as part from Torrent Gujarat Biotech to extend our capabilities to cover the production of Lovastatin. All 294,726 sq.m. of this property is registered in our name.

Most recently, we acquired 436,045 sq.m. of lease hold land in Jambusar, Bharuch for the new gelatin production facility.

Our factory facilities are located on land already registered in our name. Our factory details are set out below:

Location	Product / Business	Capacity	Leasehold/Freehold
Karakhadi Unit, Gujarat	Gelatin, DCP	Gelatin: 20,300 MTPA DCP: 60,900 MTPA	Freehold
Ooty Unit	Gelatin, DCP	Gelatin: 2,200 MTPA DCP: 6,600 MTPA	Freehold
Masar, Gujarat	Lovastatin and other Oncology drug	Fermentation capacity of 348 TPA	Freehold
Jambusar Unit	Gelatin, DCP	Gelatin: 9,000 MTPA DCP: 27,000 MTPA (Under implementation)	Leasehold

Utilities

The manufacturing process for gelatin is energy intensive and requires an uninterrupted power supply. We have a supply of 3,900 kilovolt ampere (“KVA”) that is sanctioned by the Madhya Gujarat Vij Company Limited (“MGVCL”) for our facilities in Vadodara, 1,600 KVA from the Tamil Nadu Electricity Board for our facility in Ooty and 6,000 KVA from the MGVCL for our facility in Masar. We also have a standby power generators, which have a total output of 7.9 mega watts.

All other key utilities such as water and steam are sourced through public utilities.

The domestic facilities in Vadodara and Masar are located on the bank of the effluent canal of the government of Gujarat. The canal is 54 kilometres long to enable the pumping out of the effluent discharged by the petrochemical complex located in and around Vadodara. After treatment, our effluent is pumped into the canal, which then pumps the effluent into the ocean. This is an advantage to us as it is not necessary for us to build our own pipeline to discharge the effluent, which is a major bottleneck for the gelatin industry.

Sales, Distribution and Marketing

The following table sets out our sales of gelatin, DCP, API, Lovastatin and oncology products, and as a percentage of net sales, for the periods indicated:

	Nine months ended September 30,		Year ended December 31,					
	2013		2012		2011		2010	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
<i>(Rs. in millions, except percentages)</i>								
Gelatin	4,133.09	72.9	5,449.26	65.3	10,848.95	65.3	9,900.29	61.2
DCP	707.87	12.5	1,205.02	14.4	2,399.07	14.4	2,564.23	15.9
CoQ10	-	-	1,342.83	16.1	3,371.52	20.3	3,701.26	22.9
Lovastatin	471.35	8.3	266.87	3.2	-	0.0	-	0.0
Oncology –1	360.90	6.4	83.80	1.0	-	0.0	-	0.0
Total	5,673.21	100.0	8,347.78	100.0	16,619.54	100.0	16,165.78	100.0

Gelatin

We believe that we are one of the leading pharmaceutical grade gelatin producer in Asia.

The following table sets out our geographical sales break up, and as a percentage of net sales, for the periods indicated:

	Nine months ended September 30,		Year ended December 31,					
	2013		2012		2011		2010	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
<i>(Rs. in millions, except percentages)</i>								
Export sales	3,018.4	53.2	4,508.90	54.0	9,678.60	58.2	9,836.20	60.8
Domestic sales	2,654.8	46.8	3,838.90	46.0	6,940.90	41.8	6,329.60	39.2
Total	5,673.20	100	8,347.80	100.0	16,619.50	100.0	16,165.80	100.0

Customers

We work in association with our customers to produce gelatin with the parameters they require. Before supplying our products to customers, we must pass a vendor accreditation process to verify the quality of our products. We have been accredited by reputed customers which include some of the leading global pharmaceutical manufacturers. Majority of our existing customers have been associated with us for more than five years.

See “Risk Factors – Internal Risks – 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”.

Distribution and Marketing

Most of our gelatin products produced at our facility in Vadodara are sold directly to our customers by us and we do not use sales agents. The gelatin produced at the facility in Ooty has historically been sold by agents and this practice is expected to continue.

International sales are transported by sea and we employ transport agents for all domestic and international sales.

Assisted by a team of marketing and technical personnel, our Chairman and Managing Director has an active role in marketing and developing customer relationships.

DCP

All sales of DCP are to the domestic market in India.

We sell DCP to poultry feed manufacturers through distributors.

Lovastatin and Other Oncology Products


Lovastatin is sold in domestic market as well as exported.

We sell Lovastatin to other API manufacturers / formulators, either directly or through distributors.

Technology

We signed a technology agreement in December 1995 with Croda, then one of the leaders in the gelatin business and one of the pioneers of modern gelatin technology. This agreement allowed us to access the know-how, technology and research of Croda for use in the manufacture of gelatin in return for a one time payment. The technology agreement was valid for 10 years and expired in December 2005. In 2000, Croda divested its gelatin business and it is no longer involved in the manufacture and supply of gelatin. We do not believe we need further input and assistance from Croda as our production facilities and processes are now more advanced than when Croda divested its gelatin business. No additional licence fees or payments was payable by us to Croda after the technology agreement expired, but we can continue to operate our production processes as currently operated.

Intellectual Property

We have registered the logo, , and the title “STERLING GELATIN” We have no other registered trademarks, designs, business signs, patents or any other intellectual property. We do, however, use ‘Sterling Biotech Limited – Division – Sterling Gelatin’ as unregistered trading names.

In line with existing participants in the gelatin industry, we have proprietary information related to our production processes and methods that is not publicly available. We treat these processes and methods as trade secrets. Additionally, we currently hold the patent for the process for preparing substantially pure palonosetron and its acid salts.

Environmental Regulation and Initiatives, Health and Safety

The pharmaceuticals and chemical industry in India is subject to a wide range of Governmental laws and regulations regarding pollution control, including:

- Water (Prevention & Control of Pollution) Act 1974, as amended in 1978 and 1988;
- Water (Prevention & Control of Pollution) Cess Act 1974, as amended in 1991;
- Air (Prevention & Control of Pollution) Act 1981, as amended in 1991;
- Environment (Protection) Act 1986;

- Hazardous Wastes (Management & Handling) Rules 1989;
- Manufacture, Storage and Import of Hazardous Chemicals Rules 1989; and
- Environment Impact Assessment Notification 1994.

There are several agencies that play a key role in environmental regulation in India. The Ministry of Environment & Forests administers and enforces laws and regulations at a national level.

The Central Pollution Control Board develops regulatory standards, such as emission norms, at the national level but has no enforcement powers. Pollution Control Boards at the state level implement and administer the national laws and regulations, and also monitor performance and compliance by industries and companies.

All of the effluents which result from our manufacturing processes are biodegradable. After we treat such effluents at our Vadodara facilities, they are pumped into the effluent canal of the government of Gujarat which is located close to our manufacturing facilities and, at our Ooty facility, they are treated in our treatment plant and the treated water is discharged into a reservoir.

We provide employees at our manufacturing facilities with periodical medical check-ups. The average number of accidents in the past three years was nine per year and the total man hours lost due to accidents in the last three years was 1,496 hours.

Insurance Coverage

We maintain insurance policies on all of our production facilities, including buildings, plants and machinery and inventories, covering fire and other contingencies such as riot, strike, flood, storm, earthquake and other natural and accidental risks. We also maintain insurance on property in transit, such as imports, exports, and inland transport.

We also maintain insurance policies, including personal accident and group medical insurance, which we believe to be relevant to our business. We do not maintain business interruption insurance as product liability insurance.

Subsidiaries and Associated Companies

We have investments in the following Sandesara Group companies:

Sterling Oil resources Limited (“SORL”): We hold 0.7% of the equity share capital of SORL. SORL, through its step-down subsidiaries, holds a 90% stake in Sterling Oil Exploration and Energy Production Company Limited (“SEEPCO”), which holds a prospecting license of an on-shore oil and gas block (OPL- 280) in Nigeria. The remaining 10% stake in this block is held by Mr. Nitin Sandesara, our promoter. As of the date of these Listing Particulars, SEEPCO has made four oil and gas discoveries and produced approximately 4.5 million barrels of crude oil (high quality, light and sweet crude).

Sterling SEZ & Infrastructure Limited (“SSIL”): We hold 19.5 % of the equity share capital of SSIL, which is a special purpose vehicle incorporated to develop a multi-product special economic zone spread over 1,263 hectares located at Jambusar, Bharuch in Gujarat. It is in the process of setting up various facilities in the special economic zone area, including the construction of a captive power plant.

Sterling Port Limited (“SPL”): We hold 26.5% of the equity share capital of SPL, which has been incorporated for the phased development of the SEZ-linked Port facilities at Dahej in Gujarat. The port is currently under planning and is proposed to provide transportation services for coal-based cargo and other general containers.

In addition to above, we hold 0.04 % equity in BVI based British Oil & Gas Exploration Limited, and 15.28% equity in Atlantic Bluwater Services Limited.

In addition to above, SBL has non operative overseas subsidiary companies in Mauritius and U.A.E.

Legal Proceedings

We are party to various legal proceedings which arise in the ordinary course of our operations. None of the legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on us or our financial condition.

TERMS AND CONDITIONS OF THE BONDS

The following, other than the words in italics, are the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of U.S.\$206,464,000 in aggregate principal amount of Zero Coupon Convertible Bonds Due 2019 (the “**Bonds**”, which term shall, unless otherwise indicated, include any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Sterling Biotech Limited (the “**Issuer**”), was authorized by a resolution of the Board of Directors of the Issuer passed on May 15, 2013 and by a resolution of Shareholders of the Issuer passed on June 29, 2013. The Bonds are constituted by a trust deed (as amended or supplemented from time to time) (the “**Trust Deed**”) dated March 24, 2014 and made between the Issuer and Madison Pacific Trust Limited as trustee for the holders of the Bonds (the “**Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed). The Issuer has entered into a paying, conversion and transfer agency agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated March 24, 2014 with the Trustee, Madison Pacific Trust Limited as principal paying, conversion and transfer agent (the “**Principal Agent**”), Madison Pacific Trust Limited as registrar (the “**Registrar**”) and the other paying, conversion and transfer agents appointed under it (each a “**Paying Agent**”, “**Conversion Agent**” and/or “**Transfer Agent**” (references to which shall include the Registrar) and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. References to the “**Principal Agent**”, “**Registrar**” and “**Agents**” below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection at the office of the Trustee at 701A, 7th Floor Tower One, Admiralty Centre 18 Harcourt Road Hong Kong and at the specified offices of each of the Agents (or such other office specified by the Trustee). The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.

2. Form, Denomination and Title

2.1 Form and Denomination

The Bonds are issued in registered form in the denomination of U.S.\$ 1,000 each and integral multiples thereof. A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a common nominee of, Euroclear Bank S.A./N.V., and Clearstream Banking, société anonyme. The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate (see “The Global Certificate”), owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2.2 Title

Title to the Bonds passes only by transfer and registration in the register of Bondholders as described in

Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Terms and Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered.

3. Transfers of Bonds; Issue of Certificates

3.1 Register

The Issuer will cause to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds (the “**Register**”). Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding.

3.2 Transfers

Subject to Condition 3.5 and the terms of the Agency Agreement, a Bond may be transferred or exchanged by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorized in writing, to the specified office of the Registrar or any of the Transfer Agents. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

3.3 Delivery of New Certificates

- 3.3.1 Each new Certificate to be issued upon a transfer or exchange of Bonds will, within seven business days (at the place of the relevant specified office) of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the original Certificate and form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (free of charge to the holder and at the Issuer’s expense) to the address specified in the form of transfer. The form of transfer is available at the specified office of the Principal Agent.

Except in the limited circumstances described in the Global Certificate (see “The Global Certificate”), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

- 3.3.2 Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, exchanged, redeemed or converted, a new Certificate in respect of the Bonds not so transferred, exchanged, redeemed or converted will, within seven business days (at the place of the relevant specified office) of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, redeemed or converted (free of charge to the holder and at the Issuer’s expense) to the address of such holder appearing on the Register.
- 3.3.3 For the purposes of these Conditions (unless otherwise specified in Conditions 7, 8.4 and 8.5), “**business day**” shall mean, in relation to any place, a day other than a Saturday or Sunday on which banks are open for business in such place.

3.4 Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges

which may be imposed in relation to such transfer; and (ii) the Issuer or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

3.5 Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the due date for any principal on the Bonds; (ii) after a Conversion Notice (as defined in Condition 6.2) has been delivered with respect to such Bond; (iii) after a Change of Control Put Exercise Notice (as defined in Condition 8.4) has been deposited in respect of such Bond or (iv) after a Delisting Put Notice (as defined in Condition 8.5) has been deposited in respect of such Bond.

3.6 Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the holder and at the Issuer's expense) by the Registrar to any Bondholder upon request.

4. Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed):

- 4.1 the Issuer will not create or permit to subsist, and will procure that none of its Subsidiaries shall create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Debt (as defined below) of any person or to secure any guarantee or indemnity in respect of any Relevant Debt;
- 4.2 the Issuer will procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure any Relevant Debt of the Issuer or any of its Subsidiaries, or any guarantee of or indemnity in respect of any Relevant Debt of the Issuer or any of its Subsidiaries; and
- 4.3 the Issuer will procure that no other person gives any guarantee of, or indemnity in respect of, any Relevant Debt of the Issuer or any of its Subsidiaries,

unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

For the purposes of these Conditions, "**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other investment securities which are for the time being, or are intended to be or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or other securities market which is denominated in or which is or may (at the option of any party) be payable in or by reference to any currency other than the lawful currency for the time being of India.

5. Interest

The Bonds do not bear any interest, provided that if the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 5.43% per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

6. Conversion

6.1 Conversion Right

6.1.1 Conversion Period

Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares or, at the option of the Bondholders, GDRs at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares or GDRs is called the “**Conversion Right**”. Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time (subject to the next paragraph) on and after May 5, 2014 up to March 18, 2019 the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on (but, except as provided in Condition 6.1.4 and Condition 10, in no event thereafter) or if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on the seventh day (at the place aforesaid) prior to the date fixed for redemption thereof; provided that, in each case, if the final such date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of the Conversion Right by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Conversion Rights may not be exercised in relation to any Bond during the period (a “**Closed Period**”) commencing on: (i) the date falling 21 days prior to the date of the Issuer’s annual general meeting of its Shareholders (as defined in the Trust Deed) and ending on the date of that meeting, (ii) the date falling 30 days prior to an extraordinary meeting of its Shareholders and ending on the date of that meeting, (iii) the date that the Issuer notifies the BSE Limited (the “**BSE**”) and the National Stock Exchange of India Limited (the “**NSE**”) of the record date for determination of the Shareholders entitled to receipt of dividends, subscription of shares due to capital increase or other benefits, and ending on the record date for the distribution or allocation of the relevant dividends, rights and benefits or (iv) on such date and for such period as determined by Indian law applicable from time to time that the Issuer is required to close its stock transfer books. The Issuer will give notice of such Closed Period to the Trustee, the Bondholders and the Conversion Agent at the beginning of each such period.

The Issuer shall provide to the Trustee, the Bondholders and the Conversion Agent notice of any meeting of the Issuer’s Board of Directors which is convened to consider the declaration of any dividends, subscription of shares due to capital increase or other benefits, at the same time notice of such meeting is announced in India.

Conversion Rights may not be exercised (i) in respect of a Bond where the Bondholder shall have exercised its right to require the Issuer to redeem such Bond pursuant to Condition 8.4 or 8.5 or (ii) except as provided in Condition 6.1.4, following the giving of notice by the Trustee pursuant to Condition 10.

The period during which Conversion Rights may be exercised by a Bondholder is referred to as the “**Conversion Period**”.

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted (translated into Rupees at the fixed rate of Rs. 48.00 = U.S.\$ 1.00) (the “**Fixed Exchange Rate**”) by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted. If a Bondholder requires GDRs to be issued instead of Shares upon conversion of a Bond, the conversion price applicable to the conversion of such Bond shall be adjusted to reflect the issuance of one GDR for six or such other number of Shares as specified in the Deposit Agreement at such time (and any Shares which would result in an entitlement to a fraction of a GDR will be forfeited by the Bondholder and no cash payment shall be made in respect thereof to the relevant Bondholder).

Upon exercise of Conversion Rights in relation to any Bond and the fulfillment by the Issuer of all its

obligations in respect thereof, the relevant Bondholder shall have no further rights in respect of such Bond and the obligations of the Issuer in respect thereof shall be extinguished.

6.1.2 Fractions of Shares and GDRs

Fractions of Shares or GDRs will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares or GDRs to be issued on conversion are to be registered in the same name, the number of such Shares or GDRs to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares or GDRs, as the case may be. Notwithstanding the foregoing, in the event of a consolidation or reclassification of Shares by operation of law or otherwise occurring after the Closing Date which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in U.S. dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided above, as corresponds to any fraction of a Share (including a Share represented by a GDR) not issued if such sum exceeds U.S.\$ 10.00 (which sum shall be translated into U.S. dollars at the Fixed Exchange Rate). Any such sum shall be paid not later than 14 Mumbai business days after the relevant Conversion Date by transfer to a U.S. dollar account with a bank in New York City specified in the relevant Conversion Notice.

6.1.3 Conversion Price

The price at which Shares will be issued upon conversion as adjusted from time to time (the “**Conversion Price**”) will initially be Rs. 60 per Share, but will be subject to adjustment in the manner provided in Condition 6.3. The “**Conversion Ratio**” is equal to the principal amount of the Bonds divided by the then Conversion Price translated into U.S. dollars at the Fixed Exchange Rate.

6.1.4 Revival and/or survival after Default

Notwithstanding the provisions of Condition 6.1.1, if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption pursuant to Condition 8.2 or which is to be redeemed pursuant to Condition 8.3, Condition 8.4 or Condition 8.5 on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date (as defined in Condition 8.1) by reason of the occurrence of any of the events referred to in Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8.1, the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Trustee and the Bondholders by the Issuer and, notwithstanding the provisions of Condition 6.1.1, any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined in Condition 6.2.1 (ii)) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

6.1.5 Meaning of “Shares” and “GDRs”

As used in these Conditions, the expression “**Shares**” means (1) shares of the class of share capital of the Issuer which, at the date of the Trust Deed, are designated as equity shares of the Issuer with full voting rights, together with shares of any class or classes resulting from any subdivision, consolidation or reclassification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer; and (2) fully paid shares of any class or classes of the share capital of the Issuer authorized after the date of the Trust Deed which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or winding-up of the Issuer; provided that, subject to the provisions of Condition 11, shares to be issued on conversion of the Bonds means only “Shares” as defined in sub-clause (1) above; and “**GDRs**” means Global Depositary Receipts each currently representing six fully paid Shares, issued by The Bank of New York Mellon as

depository (the “**Depository**”) or any successor depository under the deposit agreement dated October 1, 2003 between the Issuer and the Depository (as amended and supplemented from time to time, the “**Deposit Agreement**”).

6.1.6 *Conversion into GDRs*

Notwithstanding the right of Bondholders to convert their Bonds into GDRs contained in Condition 6.1.1, the Issuer may, at its discretion, give notice to the Bondholders (in accordance with Condition 17) at any time that the right of the Bondholders to convert their Bonds into GDRs no longer applies and, in respect of Conversion Rights where the relevant Conversion Date falls on or after the date on which such notice is given, Bondholders shall have the right to convert their Bonds into Shares only.

6.2 **Conversion Procedure**

6.2.1 *Conversion Notice*

- (i) To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of any Conversion Agent a notice of conversion (a “**Conversion Notice**”) in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with (a) the relevant Certificate; (b) certification by the Bondholder, in the form obtainable from any Conversion Agent, as may be required under the laws of the Republic of India or the jurisdiction in which the specified office of such Conversion Agent shall be located; and (c) any amounts required to be paid by the Bondholder under Condition 6.2.2. A Conversion Notice deposited outside the normal business hours or on a day which is not a business day at the place of the specified office of the relevant Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent during the normal business hours on the next business day at such place. A Bondholder exercising its Conversion Right for Shares will be required to open a depository account with a depository participant under the Depositories Act, 1996 (Act 22 of 1996 of India), for the purposes of receiving the Shares.

A Bondholder shall have the right to elect to receive GDRs upon exercise of Conversion Rights. Such election shall be made in the relevant Conversion Notice. In the absence of any such election, the Bondholder shall receive Shares in respect of the relevant exercise of Conversion Rights, as provided in these Conditions. If a Bondholder shall elect to receive GDRs upon conversion, such Bondholder shall, as a precondition to receiving GDRs, also comply with any relevant provisions of the Deposit Agreement relating to the deposit of further Shares to be represented by GDRs, including the provision of such confirmations, certificates, undertakings or other formalities as may be required pursuant to the Deposit Agreement or requested by the Depository.

- (ii) The conversion date in respect of a Bond (the “**Conversion Date**”) must (subject to the provisions of Condition 6.1.4 and as provided below) fall within the Conversion Period and will be deemed to be the business day on which the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice takes place and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right, save that if a Bondholder deposits a Conversion Notice during a Closed Period the Conversion Date in respect of the relevant Bond shall be the next business day at the place of the specified office of the relevant Conversion Agent after the end of that Closed Period, notwithstanding that such date may fall outside of the Conversion Period. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents to such withdrawal. Conversion Rights may only be exercised in respect of the whole of the principal amount of a Bond.

6.2.2 *Stamp Duty etc.*

A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the Depository the issuance fee of the Depository for issuance of GDRs (if any) and directly to the relevant authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than

any taxes or capital or stamp duty or registration charges payable in India and, if relevant, in the place of any Alternative Stock Exchange (as defined in Condition 6.4.1), in respect of the allotment and issue of Shares and listing of the Shares on the NSE and the BSE on conversion, which shall be payable by the Issuer) (the “**Taxes**”) and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Issuer will pay all other expenses arising on the issue of Shares or GDRs on conversion of the Bonds and all charges of the Agents and the share transfer agent for the Shares (“**Share Transfer Agent**”) in connection with conversion. None of the Trustee and the Agents shall be responsible for determining and are under no obligation to determine whether any such expenses, taxes or duties are payable or the amount of such expenses, taxes or duties and they shall not be responsible or liable for any failure by the Issuer to pay such expenses, taxes or duties.

6.2.3 *Delivery of Shares and GDRs*

- (i) Upon exercise by a Bondholder of its Conversion Right for Shares, the Issuer will, on or with effect from the relevant Conversion Date, enter or cause to be entered the relevant Bondholder or his/their nominee in the register of members of the Issuer in respect of such number of Shares to be issued upon conversion (notwithstanding any retroactive adjustment of the Conversion Price referred to below prior to the time it takes effect) and will, as soon as practicable, and in any event not later than 45 days after the relevant Conversion Date cause the relevant securities account of the Bondholder exercising his Conversion Right or of his/their nominee, to be credited with such number of Shares and shall further cause the name of the relevant Bondholder or its nominee to be registered accordingly, in the record of the depositors, maintained by the depository registered under the Depositories Act, 1996 (Act 22 of 1996 of India) with whom the Issuer has entered into a depository agreement.

Upon exercise by a Bondholder of its Conversion Right for GDRs, the Issuer will, on or with effect from the relevant Conversion Date, enter or cause to be entered the Depository or its custodian in the register of members of the Issuer in respect of such number of Shares to be issued upon conversion (notwithstanding any retroactive adjustment of the Conversion Price referred to below prior to the time it takes effect) which is divisible by the then current ratio of Shares to GDRs under the Deposit Agreement (and any Shares which would result in an entitlement to a fraction of a GDR will be forfeited by the Bondholder and no cash payment shall be made in respect thereof to the relevant Bondholder) and will, as soon as practicable, and in any event not later than 45 days after the relevant Conversion Date, despatch or cause to be despatched to the Depository’s custodian, a certificate or certificates of the relevant Shares registered in the name of the Depository or its nominee, together with such assignments and other documents (if any) as are required by law to effect the transfer thereof.

Upon delivery to and deposit with the Depository’s custodian of a sufficient number of Shares underlying the GDRs to which the Bondholder is entitled upon conversion, and receipt by the Depository of the applicable documents for transfer, the Issuer will procure that the Depository shall, pursuant to the terms of the Deposit Agreement, deliver the applicable GDRs to the account or to the order of the converting Bondholder specified in the relevant Conversion Notice.

The Issuer will within 14 Mumbai business days after the relevant Conversion Date transfer to a U.S. dollar account maintained with a bank in New York City as specified in the relevant Conversion Notice an amount in U.S. dollars in respect of any sum payable pursuant to Condition 6.1.2 required to be delivered on conversion.

The crediting of the Shares to the relevant securities account of the converting Bondholder or, as the case may be, delivery of the applicable GDRs to the account or to the order of the converting Bondholder will be deemed to satisfy the Issuer’s obligation to pay the principal and premium on the Bonds.

Pursuant to the provisions of the Deposit Agreement, a Bondholder exercising his Conversion Right in respect of GDRs will be required to deliver to the Depository a duly executed and completed certificate in the following form:

“Reference is hereby made to the Deposit Agreement dated 1 October 2003, as amended, (the “Deposit Agreement”) between Sterling Biotech Limited (the “Company”) and The Bank of New York Mellon, as Depositary, with respect to Global Depositary Receipts (“GDRs”) issued thereunder. Capitalised terms used but not defined herein shall have the meanings given them in the Deposit Agreement.

1. *This certification and agreement is furnished in connection with the deposit of Shares and issuance of GDRs pursuant to Condition 1 and Clause 3.3 of the Deposit Agreement.*
2. *We acknowledge (or if we are a broker-dealer, our customer has confirmed to us that it acknowledges) that the Shares and the GDRs represented thereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Act”).*
3. *We hereby certify that either:*
 - (a) *we are, or at the time the Shares are deposited and at the time the GDRs are issued will be, the beneficial owner of the Shares represented by the GDRs; and (i) we are not a U.S. person (as defined in Regulation S under the Act) and we are located outside the United States (within the meaning of Regulation S under the Act) and acquired, or have agreed to acquire and will have acquired, the Shares to be deposited outside the United States (within the meaning of Regulation S under the Act), (ii) we are not an affiliate of the Company or a person acting on behalf of such an affiliate, and (iii) we are not in the business of buying and selling securities or, if we are in such business, we did not acquire the securities to be deposited from the Company or any affiliate thereof in the initial distribution of GDRs and Shares.*

OR

- (b) *we are a broker-dealer acting on behalf of our customer; our customer has confirmed to us that it is, or at the time the Shares are deposited and at the time the GDRs are issued it will be, the beneficial owner of the Shares represented by the GDRs, and (i) it is not a U.S. person (as defined in Regulation S under the Act) and it is located outside the United States (within the meaning of Regulation S under the Act) and acquired, or has agreed to acquire and will have acquired, the Shares to be deposited outside the United States (within the meaning of Regulation S under the Act), (ii) it is not an affiliate of the Company or a person acting on behalf of such an affiliate, and (iii) it is not in the business of buying and selling securities, or, if it is in such business, it did not acquire the securities to be deposited from the Company or any affiliate thereof in the initial distribution of the Shares and the GDRs.*
 4. *We agree (or if we are a broker-dealer, our customer has confirmed to us that it agrees) that prior to the expiration of the Distribution Compliance Period, we (or it) will not offer, sell, pledge or otherwise transfer such GDRs or the shares represented thereof except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Act, in either case in accordance with any applicable securities laws of any state of the United States”.*
- (ii) If the Conversion Date in relation to any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 6.3, but before the relevant adjustment becomes effective under the relevant Condition (a “**Retroactive Adjustment**”), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice) (subject to applicable law including exchange control regulations in India), of such additional number of Shares or, where the relevant Bondholder had elected to receive GDRs, GDRs corresponding to such Shares (“**Additional Securities**”) as, together with the Shares or GDRs, as the case may be, issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares or GDRs corresponding to such Shares, as the case may be, which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective as at such Conversion Date immediately after the relevant record

date and in such event and in respect of such Additional Securities references in Conditions 6.2.3(i), (iii) and (iv) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Conversion Period).

- (iii) The Shares (including Shares represented by GDRs) issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant Conversion Date (except for any right excluded by mandatory provisions of applicable law) and such Shares shall be entitled to all rights the record date or other due date for the establishment of entitlement for which falls on or after such Conversion Date to the same extent as all other fully paid Shares of the Issuer in issue as if such Shares had been in issue throughout the period to which such rights relate. A holder of Shares (including Shares represented by GDRs) issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Conversion Date.
- (iv) GDRs issued upon conversion of the Bonds will in all respects rank *pari passu* with the GDRs in issue on the relevant Conversion Date (except for any right excluded by mandatory provisions of applicable law) and such GDRs shall be entitled to all rights as the GDRs in issue where the record date or other due date for the establishment in respect of the GDRs falls on or after such Conversion Date as if such GDRs had been in issue throughout the period to which such rights relate. A holder of GDRs issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Conversion Date. Notwithstanding the right of Bondholders to convert their Bonds into GDRs contained in Condition 6.1.1, GDRs may only be issued upon conversion of a Bond if permissible under applicable law.

6.3 Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events:

6.3.1 Capitalization issue, division, consolidation and reclassification of Shares

Adjustment: If the Issuer shall (a) make an issue of Shares by way of capitalization of profits or reserves (other than by way of a dividend in Shares), (b) divide its outstanding Shares, (c) consolidate its outstanding Shares into a smaller number of Shares, or (d) reclassify any of its Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Conversion Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 6.3.1, shall be entitled to receive the number of Shares and/or other securities of the Issuer which such holder would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of Shareholders entitled to receive any such free distribution or bonus issue of Shares or other securities issued upon any such division, consolidation or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

Effective date of adjustment: An adjustment made pursuant to this Condition 6.3.1 shall become effective immediately on the relevant event referred to above becoming effective or, if a record date is fixed therefor, immediately after such record date; provided that in the case of a free distribution or bonus issue of Shares, which must, under applicable laws of India, be submitted for approval to a general meeting of Shareholders or be approved by a meeting of the Board of Directors of the Issuer before being legally paid or made, and which is so approved after the record date fixed for the determination of Shareholders entitled to receive such distribution or issue, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

6.3.2 Dividend in Shares

If the Issuer shall issue Shares as a dividend in Shares (other than in any such case in circumstances where the Shareholders have an election to receive Shares or cash), then the Conversion Price in effect

when such dividend is declared (or, if the Issuer has fixed a prior record date for the determination of Shareholders entitled to receive such dividend, on such record date) shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{N}{N + n} \right]$$

where:

- NCP = the Conversion Price after such adjustment.
 OCP = the Conversion Price before such adjustment.
 N = the number of Shares outstanding, at the time of issuance of such dividend (or at the close of business in Mumbai on such record date as the case may be).
 n = number of Shares to be distributed to the Shareholders as a dividend.

Effective date of adjustment

An adjustment made pursuant to this Condition 6.3.2 shall become effective immediately on the relevant event referred to in this Condition 6.3.2 becoming effective or, if a record date is fixed therefor, immediately after such record date; provided that in the case of a dividend in Shares, which must, under applicable laws of India, be submitted for approval to a general meeting of Shareholders of the Issuer or be approved at a meeting of the Board of Directors of the Issuer before being legally paid or made, and which is so approved after the record date fixed for the determination of Shareholders entitled to receive such dividend, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

6.3.3 *Concurrent adjustment events*

If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Shares, which dividend, issue or distribution is to be paid or made to Shareholders as of a record date which is also:

- (a) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Conditions 6.3.5, 6.3.6 or 6.3.7;
- (b) the day immediately before the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 6.3.9;
- (c) the day immediately before the date of issue of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 6.3.10 or, if applicable, the record date for determination of stock dividend entitlement as referred to in Condition 6.3.10;
- (d) the day immediately before the date of issue of any rights, options or warrants which requires an adjustment of the Conversion Price pursuant to Condition 6.3.11; or
- (e) determined by the Issuer and notified by the Issuer to the Trustee in writing to be the relevant date for an event or circumstance which requires an adjustment to the Conversion Price pursuant to Condition 6.3.13;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under Conditions 6.3.1 and 6.3.2) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under Conditions 6.3.1 and 6.3.2, but in lieu thereof an adjustment shall be made under Conditions 6.3.5, 6.3.6, 6.3.7, 6.3.9, 6.3.10, 6.3.11 or 6.3.13 (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Shares to be issued pursuant to such dividend, bonus issue or free distribution.

6.3.4 Capital Distribution and Extraordinary Dividends

- (i) If the Issuer shall pay or make to its Shareholders any Capital Distribution (as defined below), then the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{(CMP - fmv)}{CMP} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.2.

CMP = the Current Market Price (as defined in Condition 6.3.15 below) per Share on the date on which the relevant Dividend is first publicly announced.

fmv = the portion of the Fair Market Value as defined below), with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Shares entitled to receive the relevant Dividend (or, in the case of a purchase of Shares or any receipts or certificates representing shares by or on behalf of the Issuer, by the number of Shares in issue immediately prior to such purchase), of the Capital Distribution attributable to one Share.

- (ii) If the Issuer shall pay or make to its Shareholders any Extraordinary Dividend then, in such case, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{(CMP - C)}{CMP} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.2.

CMP = the Current Market Price per Share on the date on which the relevant Dividend is first publicly announced.

fmv = the portion of the Extraordinary Dividend attributable to one Share.

For the purposes of this Clause, an Extraordinary Dividend shall be that part of any cash Dividend where the total amount of:

- (a) such Dividend, (i) prior to the deduction of any withholding tax and (ii) any corporate tax and dividend distribution tax attributable to that Dividend (the “**Relevant Dividend**”); and
- (b) all other cash Dividends paid or made on the Shares in the 365 consecutive day period prior to the date the Relevant Dividend is first publicly announced (other than any cash Dividend or portion thereof previously deemed to be an Extraordinary Dividend) (the “**previous dividends**”), except that where the first date of public announcement for Dividends for two different fiscal years has occurred in such 365 day period, such Dividends relating to the earlier fiscal year will be disregarded for the purpose of determining the previous dividends ((a) and (b) together being the “**total current dividend**”)

exceeds on a per Share basis whichever is the greater of (1) 0.25% of the Average Closing Price of the Shares during the Relevant Period (as defined below) and (2) 120% of the aggregate of all cash Dividends (other than any cash Dividend or portion thereof previously determined to be an Extraordinary Dividend) paid or made on the Shares in respect of the fiscal year immediately preceding the fiscal year in respect of which the Relevant Dividend is paid or made. For the avoidance of doubt, the Extraordinary Dividend shall be the amount, on a per Share basis, of the excess of the total current dividend over whichever is the greater of (1) and (2) above (but shall not exceed the amount of the Relevant Dividend), and all amounts referred to in this Condition are on a per Share basis.

The “**Average Closing Price**” is the arithmetic average of the Closing Price per Share for each Trading Day during the Relevant Period.

The “**Relevant Period**” means the period beginning on the first Trading Day after the record date for the first cash Dividend aggregated in the total current dividend, and ending on the Trading Day immediately preceding the date of first public announcement for the Relevant Dividend. However, if there were no cash Dividends publicly announced during the 365 consecutive day period prior to the date of first public announcement for the Relevant Dividend or if there is no other Dividend aggregated in the total current dividend, the Relevant Period will be the entire such period of 365 consecutive days.

Effective date of adjustment

Any adjustment pursuant to this Condition 6.3.4 shall become effective immediately after the record date for the determination of Shareholders entitled to receive the relevant Dividend; provided that (a) in the case of such a Dividend which must, under applicable law of India, be submitted for approval to a general meeting of Shareholders or be approved by a meeting of the Board of Directors of the Issuer before such Dividend may legally be made and is so approved after the record date fixed for the determination of Shareholders entitled to receive such Dividend, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date and (b) in the case of Condition 6.3.4(i), if the Fair Market Value of the relevant Capital Distribution cannot be determined until the record date fixed for the determination of Shareholders entitled to receive the relevant Dividend, such adjustment shall, immediately upon such Fair Market Value being determined, become effective retroactively to immediately after such record date.

For the purposes of this Condition:

“**Capital Distribution**” means any Dividend other than a cash Dividend.

In making any calculation for the purposes of this Condition 6.3.4, such adjustments (if any) shall be made as an independent investment or commercial bank of international repute selected by the Issuer and approved by the Trustee (an “**Independent Financial Institution**”) considers appropriate to reflect (at the expense of the Issuer) any consolidation or subdivision of any Share or the issue of Shares by way of capitalization of profits or reserves, or any like or similar event or any adjustment to the Conversion Price.

“**Dividend**” means any dividend or distribution, whether of cash, assets or other property or evidence of the Issuer’s indebtedness, whenever paid or made and however described provided that:

- (a) where a cash Dividend is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalization of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of a cash Dividend, then the Dividend in question shall be treated as a cash Dividend of (i) such cash Dividend or (ii) the Fair Market Value (on the date of the first public announcement of such Dividend or date of capitalization (as the case may be) or, if later, the date on which the number of Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined) of such Shares or other property or assets if such Fair Market Value is greater than the Fair Market Value of such cash Dividend;
- (b) any tender or exchange offer falling within Condition 6.3.12 and any issue or distribution of Shares falling within Condition 6.3.2. shall be disregarded;
- (c) a purchase or redemption of share capital by or on behalf of the Issuer shall not constitute a Dividend unless, in the case of purchases of Shares by or on behalf of the Issuer, the Volume Weighted Average price per Share (before expenses) on any one day in respect of such purchases exceeds the Current Market Price per Share either (1) on that day (or if such day is not a Trading Day, the immediately preceding Trading Day), or (2) where an announcement (excluding for the avoidance of doubt for these purposes, any general authority for such purchases or redemptions approved by a general meeting of Shareholders of the Issuer or any

notice convening such a meeting of Shareholders) has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend (but not a cash Dividend) to the extent that the aggregate price paid (before expenses) in respect of such Shares purchased by or on behalf of the Issuer exceeds such Current Market Price per Share (if any receipts or certificates representing Shares shall be purchased by or on behalf of the Issuer, the provisions of this paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Institution); and “**Fair Market Value**” means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Institution provided, that (i) the Fair Market Value of a cash Dividend paid or to be paid shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; and (iii) where shares, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by the Independent Financial Institution) the fair market value of such shares, options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such shares, options, warrants or other rights are publicly traded; and in the case of (i) translated into Rupees (if declared or paid in a currency other than Rupees) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in Rupees; and in any other case, converted into Rupees (if expressed in a currency other than Rupees) at such rate of exchange as may be determined in good faith by an Independent Financial Institution to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available).

“**Volume Weighted Average Price**” means, in respect of a Share on any Trading Day, the order book volume-weighted average price of a Share appearing on or derived from Bloomberg (or any successor service) page B06H0V5 IN or such other source as shall be determined to be appropriate by an Independent Financial Institution on such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined.

“**cash Dividend**” means (i) any Dividend which is to be paid in cash and (ii) any Dividend determined to be a cash Dividend pursuant to paragraph (a) of the definition “**Dividend**”, and for the avoidance of doubt, a Dividend falling within paragraph (c) of the definition “**Dividend**” shall be treated as not being a cash Dividend.

6.3.5 *Rights Issues to Shareholders*

Adjustment:

If the Issuer shall grant, issue or offer to the holders of Shares rights entitling them to subscribe for or purchase Shares, which expression shall include those Shares that are required to be offered to employees and persons other than Shareholders in connection with such grant, issue or offer:

- (a) at a consideration per Share receivable by the Issuer (determined as provided in Condition 6.3.16) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price per Share at such record date; or
- (b) at a consideration per Share receivable by the Issuer which is fixed after the record date mentioned below and is less than the Current Market Price per Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of Shareholders entitled to receive such rights or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{N + v}{N + n} \right]$$

where:

NCP	=	the Conversion Price after such adjustment.
OCP	=	the Conversion Price before such adjustment.
N	=	the number of Shares outstanding (having regard to Condition 6.3.16) at the close of business in India (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Issuer fixes the said consideration.
n	=	the number of Shares initially to be issued upon exercise of such rights at the said consideration being (aa) the number of Shares which underwriters have agreed to underwrite as referred to below or, as the case may be, (bb) the number of Shares for which applications are received from Shareholders as referred to below save to the extent already adjusted for under (aa).
v	=	the number of Shares which the aggregate consideration receivable by the Issuer (determined as provided in Condition 6.3.16) would purchase at such Current Market Price per Share specified in (a) or, as the case may be, (b) above.

Effective date of adjustment

Subject as provided below, such adjustment shall become effective immediately after the latest date for the submission of applications for such Shares by Shareholders entitled to the same pursuant to such rights or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

Rights not taken up by Shareholders

If, in connection with a grant, issue or offer to the holders of Shares of rights entitling them to subscribe for or purchase Shares, any Shares which are not subscribed for or purchased by the persons entitled thereto are underwritten by other persons prior to the latest date for the submission of applications for such Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Shares of rights entitling them to subscribe for or purchase Shares, any such Shares which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the Shareholders entitled thereto (or persons to whom Shareholders have transferred such rights) who have submitted applications for such Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

6.3.6 Warrants issued to Shareholders

Adjustment:

If the Issuer shall grant, issue or offer to the holders of Shares warrants entitling them to subscribe for or purchase Shares:

- (a) at a consideration per Share receivable by the Issuer (determined as provided in Condition 6.3.16) which is fixed on or prior to the record date for the determination of Shareholders entitled to receive such warrants and is less than the Current Market Price per Share at such record date; or

- (b) at a consideration per Share receivable by the Issuer which is fixed after the record date mentioned above and is less than the Current Market Price per Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of Shareholders entitled to receive such warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{N + v}{N + n} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.5.

- N = the number of Shares outstanding (having regard to Condition 6.3.17) at the close of business in India (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Issuer fixes the said consideration.
- n = the number of Shares to be issued upon exercise of such warrants at the said consideration which, where no applications by Shareholders entitled to such warrants are required, shall be based on the number of warrants issued. Where applications by Shareholders entitled to such warrants are required, the number of such Shares shall be calculated based upon (aa) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, (bb) the number of warrants for which applications are received from Shareholders as referred to below save to the extent already adjusted for under (aa).
- v = the number of Shares which the aggregate consideration receivable by the Issuer (determined as provided in Condition 6.3.16) would purchase at such Current Market Price per Share specified in (a) or, as the case may be, (b) above.

Effective date of adjustment

Subject as provided below, such adjustment shall become effective (i) where no applications for such warrants are required from Shareholders entitled to the same, upon their issue and (ii) where applications by Shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Issuer fixes the said consideration but in all cases retroactively to immediately after the record date mentioned above.

Warrants not subscribed for by Shareholders

If, in connection with a grant, issue or offer to the holders of Shares of warrants entitling them to subscribe for or purchase Shares in the circumstances described in (a) and (b) of this Condition 6.3.6, any warrants which are not subscribed for or purchased by the Shareholders entitled thereto are underwritten by others prior to the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Shares of warrants entitling them to subscribe for or purchase Shares, any warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the Shareholders entitled thereto (or persons to whom Shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

6.3.7 *Issues of rights or warrants for equity-related securities to Shareholders*

Adjustment:

If the Issuer shall grant, issue or offer to the holders of Shares rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares:

- (a) at a consideration per Share receivable by the Issuer (determined as provided in Condition 6.3.16) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price per Share at such record date; or
- (b) at a consideration per Share receivable by the Issuer (determined as aforesaid) which is fixed after the record date mentioned below and is less than the Current Market Price per Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of Shareholders entitled to receive such rights or warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{N + v}{N + n} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.5.

- N = the number of Shares outstanding (having regard to Condition 6.3.17) at the close of business in India (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Issuer fixes the said consideration.
- n = the number of Shares initially to be issued upon exercise of such rights or warrants and conversion or exchange of such convertible or exchangeable securities at the said consideration being, in the case of rights, (aa) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities which the underwriters have agreed to underwrite as referred to below or, as the case may be, (bb) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities for which applications are received from Shareholders as referred to below save to the extent already adjusted for under (aa) and which, in the case of warrants, where no applications by Shareholders entitled to such warrants are required, shall be based on the number of warrants issued. Where applications by Shareholders entitled to such warrants are required, the number of such Shares shall be calculated based upon (x) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, (y) the number of warrants for which applications are received from Shareholders as referred to below save to the extent already adjusted for under (x).
- v = the number of Shares which the aggregate consideration receivable by the Issuer (determined as provided in Condition 6.3.16) would purchase at such Current Market Price per Share specified in (a) or, as the case may be, (b) above.

Effective date of adjustment

Subject as provided below, such adjustment shall become effective (a) where no applications for such warrants are required from Shareholders entitled to the same upon their issue and (b) where applications by Shareholders entitled to the warrants are required as aforesaid and in the case of convertible or exchangeable securities by Shareholders entitled to the same pursuant to such rights, immediately after the latest date for the submission of such applications or (if later) immediately after the Issuer fixes the said consideration; but in all cases retroactively to immediately after the record date mentioned above.

Rights or warrants not taken up by Shareholders

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares in the circumstances described in this Condition 6.3.7, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the Shareholders entitled thereto are underwritten by others prior to the latest date for the submission of applications for such convertible or exchangeable securities or warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Shares or rights or warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the Shareholders entitled thereto (or persons to whom Shareholders have transferred such rights or the right to purchase such warrants) who have submitted applications for such convertible or exchangeable securities or warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

6.3.8 Other distributions to Shareholders

Adjustment:

If capital stock of the Issuer (other than Shares), assets (excluding any Dividends), evidence of its indebtedness or rights or warrants to subscribe for or purchase Shares or securities (excluding those rights and warrants referred to in Conditions 6.3.5, 6.3.6 and 6.3.7 above) shall be distributed to Shareholders by the Issuer, then the Conversion Price in effect on the record date for the determination of Shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP - OCP \times \left[\frac{(CMP - fmv)}{CMP} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.5.

CMP = the Current Market Price per Share on the record date for the determination of Shareholders entitled to receive such distribution.

fmv = the Fair Market Value of the distribution applicable to one Share (which shall take into account any consideration payable for the same by the relevant Shareholder).

Effective date of adjustment

Such adjustment shall become effective immediately after the record date for the determination of Shareholders entitled to receive such distribution. Provided that (a) in the case of such a distribution which must, under applicable law of India, be submitted for approval to a general meeting of Shareholders or be approved by a meeting of the Board of Directors of the Issuer before such distribution may legally be made and is so approved after the record date fixed for the determination of Shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record

date and (b) if the Fair Market Value of the relevant distribution cannot be determined until after the record date fixed for the determination of Shareholders entitled to receive such distribution, such adjustment shall, immediately upon such Fair Market Value being determined, become effective retroactively to immediately after such record date.

6.3.9 *Issue of convertible or exchangeable securities other than to Shareholders or on exercise of warrants*

Adjustment:

If the Issuer shall issue any securities convertible into or exchangeable for Shares (other than the Bonds, which term shall for this purpose exclude any further Bonds issued pursuant to Condition 16), or in any of the circumstances described in Condition 6.3.7 and Condition 6.3.11) or grant such rights in respect of any existing securities and the consideration per Share receivable by the Issuer (determined as provided in Condition 6.3.16) shall be less than the Current Market Price per Share on the date in India on which the Issuer fixes the said consideration (or, if the issue of such securities is subject to approval by a general meeting of Shareholders, on the date on which the Board of Directors of the Issuer fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{N + v}{N + n} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.5.

N = the number of Shares outstanding (having regard to Condition 6.3.17) at the close of business in India on the day immediately prior to the date of such issue.

n = the number of Shares to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Issuer would purchase at such Current Market Price per Share.

Effective date of adjustment

Such adjustment shall become effective as of the calendar day in India corresponding to the calendar day at the place of issue on which such convertible or exchangeable securities are issued.

6.3.10 *Other issues of Shares*

Adjustment:

If the Issuer shall issue any Shares (other than Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Issuer or upon exercise of any rights or warrants granted, offered or issued by the Issuer or in any of the circumstances described in any preceding provision of this Condition 6.3) for a consideration per Share receivable by the Issuer (determined as provided in Condition 6.3.16) which is less than the Current Market Price per Share on the date in India on which the Issuer fixes the said consideration (or, if the issue of such Shares is subject to approval by a general meeting of Shareholders, on the date on which the Board of Directors of the Issuer fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the issue of such additional Shares shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{N + v}{N + n} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.5.

N = the number of Shares outstanding (having regard to Condition 6.3.17) at the close of business in India on the day immediately prior to the date of issue of such additional

- Shares.
- n = the number of additional Shares issued as aforesaid.
- v = the number of Shares which the aggregate consideration receivable by the Issuer (determined as provided in Condition 6.3.16) would purchase at such Current Market Price per Share.

Effective Date of Adjustment

Such adjustment shall become effective as of the calendar day in India of the issue of such additional Shares.

6.3.11 Issue of equity-related securities

Adjustment:

If the Issuer shall grant, issue or offer options, warrants or rights (excluding those rights and warrants referred to in Conditions 6.3.5, 6.3.6, 6.3.7 and 6.3.8) to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares (other than the Bonds, which term shall for this purpose exclude any further Bonds issued pursuant to Condition 16) and the consideration per Share receivable by the Issuer (determined as provided in Condition 6.3.16) shall be less than the Current Market Price per Share on the date in India on which the Issuer fixes the said consideration (or, if the offer, grant or issue of such rights, options or warrants is subject to approval by a general meeting of Shareholders, on the date on which the Board of Directors of the Issuer fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of the offer, grant or issue of such rights, options or warrants shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{N + v}{N + n} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.5.

- N = the number of Shares outstanding (having regard to Condition 6.3.17) at the close of business in India on the day immediately prior to the date of such issue.
- n = the number of Shares to be issued on exercise of such rights or warrants and (if applicable) conversion or exchange of such convertible or exchangeable securities at the said consideration.
- v = the number of Shares which the aggregate consideration receivable by the Issuer (determined as provided in Condition 6.3.16) would purchase at such Current Market Price per Share.

Effective Date of Adjustment

Such adjustment shall become effective as of the calendar day in India corresponding to the calendar day at the place of issue on which such rights or warrants are issued.

6.3.12 Tender or Exchange Offer

Adjustment:

In case a tender or exchange offer made by or on behalf of the Issuer or any Subsidiary (as defined below) for all or any portion of the Shares (which shall for this purpose include any GDRs or any certificates or receipts representing Shares) shall expire and such tender or exchange offer shall involve the payment by or on behalf of the Issuer or such Subsidiary of

consideration per Share having a Fair Market Value at the last time (the “**Expiration Date**”) tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Current Market Price per Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left[\frac{(N \times CMP)}{fmv + (N - n)} \times CMP \right]$$

where:

NCP and OCP have the meanings ascribed thereto in Condition 6.3.5 above.

N = the number of Shares outstanding (including any tendered or exchanged Shares) on the Expiration Date.

CMP = Current Market Price per Share as of the Expiration Date.

fmv = the Fair Market Value at the Expiration Time of the aggregate consideration payable to the holders of Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Shares deemed so accepted up to any such maximum, being referred to as the “**Purchased Shares**”).

n = the number of Purchased Shares.

Effective Date of Adjustment

Such adjustment shall become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

Tender or Exchange Offer Not Completed

If the Issuer is obligated to purchase Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

6.3.13 Analogous events and modifications

If (a) the rights of conversion or exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for, or which carry rights to subscribe for or purchase Shares are modified (other than pursuant to and as provided in the terms and conditions of such options, rights, warrants or securities as originally issued) or (b) the Issuer determines that any other event or circumstance has occurred which has or would have an effect on the position of the Bondholders as a class compared with the position of the holders of all the securities (and options and rights relating thereto) of the Issuer, taken as a class which is analogous to any of the events referred to in Conditions 6.3.1 to 6.3.12, then, in any such case, the Issuer shall promptly notify the Trustee thereof and the Issuer shall consult with an Independent Financial Institution as to what adjustment, if any, should be made to the Conversion Price to preserve the value of the Conversion Right of Bondholders and the Independent Financial Institution shall advise such adjustment in writing and the Issuer will make any such adjustment. All costs, charges, liabilities and expenses incurred in connection with the appointment, retention, consultation and remuneration of any Independent Financial Institution appointed under the Conditions shall be borne by the Issuer.

6.3.14 Simultaneous issues of different classes of Shares

In the event of simultaneous issues of two or more classes of share capital comprising Shares or rights or warrants in respect of, or securities convertible into or exchangeable for, two or more classes of share capital comprising Shares, then, for the purposes of this Condition, the formula:

$$NCP = OCP \times \left[\frac{N + v}{N + n} \right]$$

shall be restated as

$$NCP = OCP \times \left[\frac{N + v1 + v2 + v3}{N + n1 + n2 + n3} \right]$$

where v1 and n1 shall have the same meanings as “v” and “n” but by reference to one class of Shares, v2 and n2 shall have the same meanings as “v” and “n” but by reference to a second class of Shares, v3 and n3 shall have the same meanings as “v” and “n” but by reference to a third class of Shares and so on.

6.3.15 *Certain Definitions*

For the purposes of these Conditions,

the “**Current Market Price**” per Share on any date means the average of the daily Closing Prices (as defined below) of the Shares for the five consecutive Trading Days (as defined below) ending on and including the Trading Day immediately preceding such date. If the Issuer has more than one class of share capital comprising Shares, then the relevant Current Market Price for Shares shall be the price for that class of Shares the issue of which (or of rights or warrants in respect of, or securities convertible into or exchangeable for, that class of Shares) gives rise to the adjustment in question.

If during the said five Trading Days or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment to the Conversion Price under the provisions of these Conditions, then the Current Market Price as determined above shall be adjusted in such manner and to such extent as an Independent Financial Institution shall in its absolute discretion deem appropriate and fair to compensate for the effect thereof;

the “**Closing Price**” of the Shares for a Trading Day shall be the last reported transaction price of the Shares on the BSE for such Trading Day or, if no transaction takes place on such Trading Day, the average of the closing bid and offered prices of Shares for such Trading Day as furnished by a leading independent securities firm licensed to trade on the BSE selected from time to time by the Issuer and approved by the Trustee for the purpose; and

“**Trading Day**” means a day when the BSE is open for business, but does not include a day when (a) no such last transaction price or closing bid and offered prices is/are reported and (b) (if the Shares are not listed or admitted to trading on such exchange) no such closing bid and offered prices are furnished as aforesaid.

If the Shares are no longer listed on the BSE but are still listed on the NSE, references in the above definitions to the BSE shall be deemed to be the NSE, and if the Shares are no longer listed on the BSE or the NSE and have been listed on an Alternative Stock Exchange as required by Condition 6.4.1, references in the above definitions to the BSE will be taken as references to that Alternative Stock Exchange.

6.3.16 *Consideration receivable by the Issuer*

For the purposes of any calculation of the consideration receivable by the Issuer pursuant to Conditions 6.3.5, 6.3.6, 6.3.7, 6.3.9, 6.3.10 and 6.3.11 above, the following provisions shall be applicable:

- (a) in the case of the issue of Shares for cash, the consideration shall be the amount of such cash;
- (b) in the case of the issue of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by an Independent Financial Institution or, if pursuant to applicable law of India such determination is to be made by application to a court of competent jurisdiction, as determined by such court

or an appraiser appointed by such court, irrespective of the accounting treatment thereof;

- (c) in the case of the issue (whether initially or upon the exercise of rights or warrants) of securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Issuer shall be deemed to be the consideration received by the Issuer for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Issuer upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in this Condition 6.3.16) and the consideration per Share receivable by the Issuer shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price;
- (d) in the case of the issue of rights or warrants to subscribe for or purchase Shares, the aggregate consideration receivable by the Issuer shall be deemed to be the consideration received by the Issuer for any such rights or warrants plus the additional consideration to be received by the Issuer upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in this Condition 6.3.16) and the consideration per Share receivable by the Issuer shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price;
- (e) if any of the consideration referred to in any of the preceding paragraphs of this Condition 6.3.16 is receivable in a currency other than Rupees, such consideration shall (in any case where there is a fixed rate of exchange between the Rupee and the relevant currency for the purposes of the issue of the Shares, the conversion or exchange of such securities or the exercise of such rights or warrants) be translated into Rupees for the purposes of this Condition 6.3.16 at such fixed rate of exchange and shall (in all other cases) be translated into Rupees at such rate of exchange as may be determined in good faith by an Independent Financial Institution to be the spot rate ruling at the close of business on the date as of which the said consideration is required to be calculated as aforesaid;
- (f) in the case of the issue of Shares (including, without limitation, to employees under any employee bonus or profit sharing arrangements) credited as fully paid out of retained earnings or capitalization of reserves at their par value, the aggregate consideration receivable by the Issuer shall be deemed to be zero (and accordingly the number of Shares which such aggregate consideration receivable by the Issuer could purchase at the relevant Current Market Price per Share shall also be deemed to be zero); and
- (g) in making any such determination, no deduction shall be made for any commissions or any expenses paid or incurred by the Issuer.

6.3.17 Cumulative adjustments

If, at the time of computing an adjustment (the “**later adjustment**”) of the Conversion Price pursuant to any of Conditions 6.3.2, 6.3.5, 6.3.6, 6.3.9, 6.3.10 or 6.3.11 above, the Conversion Price already incorporates an adjustment made (or taken or to be taken into account pursuant to the proviso to Condition 6.3.18) to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares or securities taken into account for the purposes of calculating such adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such excess Shares shall be deemed to be outstanding for the purposes of making such computation.

6.3.18 Minor adjustments

No adjustment of the Conversion Price shall be required if the adjustment would be less than Re.1.00; provided that any adjustment which by reason of this Condition 6.3.18 is not required to be made shall

be carried forward and taken into account (as if such adjustment had been made at the time when it would have been made but for the provisions of this Condition 6.3.18) in any subsequent adjustment. All calculations under this Condition 6.3 shall be made to the nearest Rs. 0.01 with Rs. 0.005 being rounded up to the next Rs. 0.01. Except as otherwise set out in Condition 6.3.19 below, the Conversion Price may be reduced at any time by the Issuer.

6.3.19 Minimum Conversion Price

Notwithstanding the provisions of this Condition, the Issuer covenants that the Conversion Price shall not be reduced below the par value of the Shares (Rs. 1.0 at the date hereof) as a result of any adjustment made hereunder, and the Issuer undertakes that it will take no action which would otherwise result in the Conversion Price being reduced below the par value of the Shares, unless under applicable law then in effect Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares.

The Issuer undertakes that it will not take any action which would result in the Conversion Price being reduced pursuant to Conditions 6.3.1 to 6.3.14 below the level permitted by (i) applicable Indian laws and regulations from time to time (if any) or (ii) applicable Indian regulatory authorities.

6.3.20 References to “fixed”

Any references herein to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

6.3.21 Upward adjustment

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares, as referred to in Condition 6.3.1.

6.3.22 Trustee not obliged to monitor

The Trustee shall not be under any duty to monitor whether any event or circumstances has happened or exists under this Condition 6.3 which may require an adjustment to be made to the Conversion Price and will not be responsible or liable to Bondholders for any loss arising from any failure by it to do so.

6.3.23 Calculations

All calculations relating to adjustment of the Conversion Price shall be performed by the Issuer or an Independent Financial Institution. Neither the Trustee nor the Agents shall be liable in any respect for the accuracy or inaccuracy in any mathematical calculation or formulae under the Terms and Conditions or the Trust Deed, whether by the Issuer, the Independent Financial Institution or any other person so nominated or authorised by the Issuer for such purpose. If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Institution, a written opinion of such Independent Financial Institution in respect of such adjustment of the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest or proven error.

6.3.24 Approval of Trustee

The Issuer shall promptly send the Trustee a certificate setting out particulars relating to each adjustment of the Conversion Price. The Trustee shall not be responsible for calculating or verifying the adjustment to the Conversion Price as set out in such certificate and will not be responsible to Bondholders for any loss arising from any failure by it to do so. The Issuer shall also cause a notice containing the same information to be given to Bondholders.

6.3.25 Purchase of Shares

The Issuer may purchase its Shares to the extent permitted by law.

6.3.26 *Independent Financial Institution*

If the Issuer fails to select an Independent Financial Institution when required in this Condition 6.3, the Trustee may (at its absolute discretion and at the expense of the Issuer) select such an Independent Financial Institution at the sole expense of the Issuer.

6.4 *Undertakings*

6.4.1 The Issuer has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the National Stock Exchange of India Limited (the “**NSE**”) and the BSE Limited (“**BSE**”), (b) to obtain and maintain a listing for all the Shares issued on the exercise of Conversion Rights on the NSE and the BSE, (c) to obtain and maintain a listing on the Luxembourg Stock Exchange for all the GDRs issued on the exercise of the Conversion Rights and (d) if the Issuer is unable to obtain or maintain such listings, to obtain and maintain a listing for all the Shares or, as the case may be, GDRs issued on the exercise of the Conversion Rights on such stock exchanges, then on such other stock exchange (the “**Alternative Stock Exchange**”) as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 17 below of the listing or delisting of the Shares (as a class) by any of such stock exchanges or the GDRs;
- (ii) it will use its best endeavours to maintain the listing of the Bonds on the official list and the trading of such Bonds on the Euro MTF market of the Luxembourg Stock Exchange or, if it is unable to do so having used its best endeavours or if the maintenance of such listing or trading is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of Bondholders will not thereby be materially prejudiced, use its best endeavours promptly to obtain and thereafter to maintain a quotation or listing for such Bonds on such other stock exchange or exchanges or securities market or markets as the Issuer may (after consultation with the Trustee) decide or, failing such decision within five Business Days, as the Trustee may decide;
- (i) other than as expressly provided in these Conditions, it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares and GDRs arising on conversion of the Bonds;
- (ii) it will not terminate, or agree to any amendment of, the Deposit Agreement without the prior written consent of the Trustee except where, in the case of an amendment, such amendment would not reasonably be expected to have an adverse effect upon the rights of holders of the GDRs;
- (iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund (except, in each case, as permitted by law); and
- (iv) it will not take any corporate or other action pursuant to Conditions 6.3.1 to 6.3.14 that would cause the Conversion Price to be adjusted to a price which would render conversion of the Bonds into Shares at such adjusted Conversion Price to be in contravention of applicable law or subject to approval from the Reserve Bank of India, the Ministry of Finance, Government of India and/or any other governmental/ regulatory authority in India. The Issuer also covenants that prior to taking any action which would cause an adjustment to the Conversion Price, the Issuer shall provide the Trustee with an opinion of a legal counsel in India of international repute, stating that the Conversion Price as proposed to be adjusted pursuant to such action, is in conformity with applicable law and that the conversion of the Bonds to the Shares at such adjusted Conversion Price would not require approval of the Reserve Bank of India, the Ministry of Finance, India and/or any other governmental/regulatory authority in India (the “**Price Adjustment Opinion**”) and the Trustee can accept such opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Noteholders. To the extent that an event triggering an adjustment to the Conversion Price

occurs and the Issuer is unable to provide the Trustee with a Price Adjustment Opinion, the Issuer shall give notice to Bondholders of their Non-Permitted Conversion Price Adjustment Event Repurchase Right, as defined in and pursuant to Condition 8.11.

6.4.2 In the Trust Deed, the Issuer has undertaken with the Trustee that so long as any Bonds remains outstanding:

- (i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorized but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds without breaching any foreign ownership restrictions in India applicable to the Shares and will ensure that all Shares will be duly and validly issued as fully paid;
- (ii) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer; and
- (iii) it will take all such action and obtain all such approvals necessary in order for GDRs to be issued against deposit of Shares on exercise of Conversion Rights.

6.4.3 The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

The Shares issued upon conversion of the Bonds are expected to be listed on the NSE and the BSE and will be tradable on such stock exchanges once listed thereon, which is expected to occur within 40 days after the relevant Conversion Date. The Issuer will make due application in respect of such listing within five days following the relevant Conversion Date.

6.5 Notice of Change in Conversion Price

The Issuer shall give notice to the Luxembourg Stock Exchange (so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require) and the Bondholders in accordance with Condition 17 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7. Payments

7.1 Principal and Premium

Payment of principal and premium and default interest (if any) will be made by transfer to the registered account of the Bondholder or by U.S. dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder if it does not have a registered account. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) paid.

7.2 Other Amounts

Payments of all amounts other than as provided in Conditions 7.1 will be made as provided in these Conditions.

7.3 Registered Accounts

For the purposes of this Condition, a Bondholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second business day before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

7.4 Fiscal Laws

All payments to be made to Bondholders by or on behalf of the Issuer shall be made in all cases subject to any applicable laws and regulations in New York City and, where appropriate, the place of the specified office of the Agent to whom the relevant Certificate is surrendered, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged by the Issuer or any Agent to the Bondholders in respect of such payments.

7.5 Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day, for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

7.6 Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

7.7 Business Day

In this Condition 7, “**business day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in (i) New York City, Mumbai, Hong Kong and London and, (ii) in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8. Redemption, Purchase and Cancellation

8.1 Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 130.70% of its principal amount on March 25, 2019 (the “Maturity Date”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8.2 or Condition 8.3 below (but without prejudice to Condition 10).

8.2 Redemption at the Option of the Issuer

8.2.1 On or at any time after March 24, 2016 and on and prior to March 18, 2019, the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem the Bonds in whole and not in part, provided that no such redemption may be made unless the Aggregate Value on each Trading Day during a period of not less than 30 consecutive Trading Days, ending not earlier than 14 days prior to the date upon which notice of such redemption is given pursuant to Condition 17, was at least 130.70% of the Accreted Principal Amount in respect of each U.S.\$ 1,000 on such Trading Day. If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive Trading Day period, appropriate adjustments for the relevant days approved by an investment bank (acting as experts) selected by the Issuer shall be made for the purpose of calculating the closing price for such days.

8.2.2 Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at their Accreted Principal Amount at the date fixed for such redemption.

8.2.3 If at any time the aggregate principal amount of the Bonds outstanding is less than 10% of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 16),

the Issuer shall have the option to redeem such outstanding Bonds in whole and not in part at their Accreted Principal Amount at the date fixed for such redemption. The Issuer will give at least 30 days' but not more than 60 days' prior notice to the holders and the Trustee of such redemption.

8.2.4 For the purposes of this Condition 8.2:

“**Aggregate Value**” means, in respect of any Trading Day, the U.S. dollar amount calculated in accordance with the following formula:

$$A = N \times MP$$

where:

A = Aggregate Value.

MP = the Closing Price for the Shares on such Trading Day, (provided that if on such Trading Day the Closing Price is quoted cum-Dividend, then for the purposes of this definition “MP” the Closing Price for such Trading Day shall be deemed to be the amount thereof reduced by the Fair Market Value (on the date of first public announcement of such Dividend) of such Dividend per Share), translated into U.S. dollars at the Prevailing Rate on such Trading Day.

N = the Fair Market Value at the Expiration Time of the aggregate consideration payable to the holders of Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Shares deemed so accepted up to any such maximum, being referred to as the “Purchased Shares”).

n = the number of Shares which would fall to be issued on conversion of U.S.\$ 1,000 principal amount of Bonds assuming the Conversion Date in respect thereof to be such Trading Day.

“Prevailing Rate” means, in respect of any Trading Day, the noon buying rate in New York City for cable transfers in Rupees, as reported by the Federal Reserve Bank of New York on such Trading Day, or if on such Trading Day such rate is not available, such rate prevailing on the immediately preceding day on which such rate is so available.

8.3 *Redemption for Taxation Reasons*

8.3.1 At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) redeem in whole and not in part (subject to Clause 8.3.3), of the Bonds at their Accreted Principal Amount on the date fixed for redemption (“**Tax Redemption Date**”), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts pursuant to Condition 9.3 as a result of any change in, or amendment to, the laws or regulations of India or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer (taking reasonable measures available to it) and (b) an opinion of independent legal or tax advisers of recognized international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

8.3.2 Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at their Accreted

Principal Amount on the Tax Redemption Date.

- 8.3.3 If the Issuer gives a notice of redemption pursuant to this Condition 8.3, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal or premium to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the government of India or any authority thereof or therein having power to tax. For the avoidance of doubt, any additional amounts which had been payable in respect of the Bonds as a result of the laws or regulations of the Government of India or any authority thereof or therein having power to tax prior to the Closing Date, will continue to be payable to such Bondholders. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

8.4 Redemption for Change of Control

- 8.4.1 Upon the occurrence of a Change of Control (as defined below) and to the extent permitted by applicable law, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem in whole and not in part such holder's Bonds on the Change of Control Put Date at their Accreted Principal Amount as at the Change of Control Put Date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent ("**Change of Control Put Exercise Notice**") together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17. The "**Change of Control Put Date**" shall be the fourteenth business day after the expiry of such period of 30 days as referred to above.
- 8.4.2 A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which form the subject of the Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.
- 8.4.3 The Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and will not be responsible or liable to Bondholders for any loss arising from any failure by it to do so.
- 8.4.4 Not later than seven days after becoming aware of a Change of Control, the Issuer shall procure that notice regarding the Change of Control shall be delivered to the Trustee and the Bondholders (in accordance with Condition 17) stating:
- (i) the Change of Control Put Date;
 - (ii) the date of such Change of Control and, briefly, the events causing such Change of Control;
 - (iii) the date by which the Change of Control Put Exercise Notice (as defined below) must be given;
 - (iv) the Accreted Principal Amount and the method by which such amount will be paid;
 - (v) the names and specified offices of all Paying Agents;
 - (vi) the Conversion Right and the then current Conversion Price;
 - (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Change of Control Put Right or Conversion Right; and
 - (viii) that a Change of Control Put Exercise Notice, once validly given, may not be withdrawn.

8.4.5 For the purposes of this Condition 8.4:

“**business day**” shall mean a day on which commercial banks are open for business in New York City, London and Mumbai;

“**control**” means (a) the acquisition or control of more than 50% of the Voting Rights of the issued share capital of the Issuer or (b) the right to appoint and/or remove all or the majority of the members of the Issuer’s Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a “**Change of Control**” occurs when:

- (a) any person or persons, acting together, acquires control, directly or indirectly, of the Issuer; or
- (b) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other person or persons, acting together;

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s Board of Directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect subsidiaries; and

“**Voting Rights**” means the right generally to vote at a general meeting of Shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

8.5 Delisting Put Right

8.5.1 In the event the Shares cease to be listed or admitted to trading on either the BSE or the NSE (a “**Delisting**”) each Bondholder shall have the right (the “**Delisting Put Right**”), at such Bondholder’s option, to require the Issuer to redeem all in whole and not in part such Bondholder’s Bonds on the twentieth business day after notice has been given to Bondholders regarding the Delisting referred to under Condition 8.5.2 below or, if such notice is not given, the twentieth business day after the Delisting (the “**Delisting Put Date**”) at their Accreted Principal Amount as at the Delisting Put Date (the “**Delisting Put Price**”).

8.5.2 Promptly after becoming aware of a Delisting, the Issuer shall procure that notice regarding the Delisting Put Right shall be given to the Trustee and the Bondholders (in accordance with Condition 17) stating:

- (i) the Delisting Put Date;
- (ii) the date of such Delisting and, briefly, the events causing such Delisting;
- (iii) the date by which the Delisting Put Notice (as defined below) must be given;
- (iv) the Delisting Put Price and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) briefly, the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Delisting Put Right or Conversion Right; and
- (viii) that a Delisting Put Notice, once validly given, may not be withdrawn.

8.5.3 To exercise its rights to require the Issuer to redeem its Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a “**Delisting Put Notice**”), in the then current form

obtainable from the specified office of any Agent, to any Paying Agent together with the Certificate evidencing the Bonds to be redeemed by not later than 10 days prior to the Delisting Put Date.

- 8.5.4 A Delisting Put Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which form the subject of the Delisting Put Notices delivered as aforesaid on the Delisting Put Date.
- 8.5.5 The Trustee shall not be required to take any steps to ascertain whether a Delisting or any event which could lead to the occurrence of a Delisting has occurred and will not be responsible or liable to Bondholders for any loss arising from any failure by it to do so.
- 8.5.6 For the purposes of this Condition 8.5, “**business day**” shall mean a day on which commercial banks are open for business in New York City, London and Mumbai.

8.6 *Accreted Principal Amount*

“**Accreted Principal Amount**” in respect of each U.S.\$ 1,000 principal amount of Bonds means the amount determined which, together with accrued interest from the immediately preceding Semi-Annual Date or, if none, from the Closing Date, and after taking into account any interest paid in respect of such Bonds in preceding periods, represents for the holder thereof on the relevant date for determination of the Accreted Principal Amount (the “**Determination Date**”) a gross yield to maturity identical to that applicable in the case of redemption on the maturity date, being 5.43% per annum (calculated on a semi-annual basis) and shall be calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the Determination Date is a Semi-Annual Date, the Accreted Principal Amount shall be as set out in the table below in respect of such Semi-Annual Date):

$$\text{Accreted Principal Amount} = \text{Previous Accreted Principal Amount} \times \left(1 + \frac{r}{2}\right)^{d/p}$$

where:

Previous Accreted Principal Amount = the Accreted Principal Amount on the Semi-Annual Date immediately preceding the Determination Date as set out below (or, if the Determination Date is prior to the first Semi-Annual Date, U.S.\$ 1,000):

<u>Semi-Annual Date</u>	<u>Accreted Principal Amount</u> (U.S.\$)
September 24, 2014	1,027.14
March 24, 2015	1,055.01
September 24, 2015	1,083.63
March 24, 2016	1,113.04
September 24, 2016	1,143.24
March 24, 2017	1,174.26
September 24, 2017	1,206.13
March 24, 2018	1,238.85
September 24, 2018	1,272.47

r = 5.43% expressed as a fraction.

d = number of days from and including the immediately preceding Semi-Annual Date (or, if the Determination Date is on or before the first Semi-Annual Date, from and including the Closing Date) to but excluding the Determination Date, calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180

If the Accreted Principal Amount payable in respect of any Bond upon its redemption pursuant to

Condition 8.2, 8.3, 8.4 or 8.5 or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Accreted Principal Amount due and payable in respect of such Bond shall be the Accreted Principal Amount of such Bond as described above, except that such Conditions shall have effect as though the reference therein to the date fixed for redemption, the Tax Redemption Date, the Change of Control Put Date, the Delisting Put Date, or, as the case may be, the date on which the Bond becomes due and payable, had been replaced by a reference to the Relevant Date (as defined below). The calculation of the Accreted Principal Amount in accordance with this Condition 8.6 will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be (i) 130.70% of the principal amount of the Bonds and (ii) and interest thereon at the rate of 5.43% per annum from and including the Maturity Date to but excluding the Relevant Date.

8.7 Purchases

The Issuer or any of its Subsidiaries may, if permitted under the laws of India, at any time and from time to time purchase Bonds at any price in the open market or otherwise. The Issuer or the relevant Subsidiary is required to submit to the Registrar for cancellation any Bonds so purchased. If purchases are made by tender, the tender must be available to all Bondholders alike.

8.8 Cancellation

All Bonds which are redeemed or converted or which are purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

8.9 Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition will be given in accordance with Condition 17, and specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice which is a Trading Date, the date for redemption, the manner in which redemption will be effected and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

No notice of redemption given under Condition 8.2 or Condition 8.3 shall be effective if it specifies a date for redemption which falls during a Closed Period or within 15 days following the last day of a Closed Period.

8.10 Multiple Notices

If more than one notice of redemption (which shall include any notice given by the Issuer pursuant to Condition 8.2 or Condition 8.3 and any Change of Control Put Exercise Notice or Delisting Put Notice given by a Bondholder pursuant to Condition 8.4 or 8.5) is given pursuant to this Condition 8, the first of such notices to be given shall prevail.

8.11 Non-Permitted Conversion Price Adjustment Event Repurchase Right

To the extent permitted by applicable law, unless the Bonds have been previously redeemed, converted or purchased and cancelled, if the Issuer is unable to provide the Trustee with a Price Adjustment Opinion as set forth in Condition 6.4.1(vi) prior to the occurrence of an event triggering an adjustment to the Conversion Price (a “**Non-Permitted Conversion Price Adjustment Event**”), the Issuer shall, within 10 business days after the occurrence of the relevant event triggering such adjustment, notify the Bondholders and the Trustee of such Non-Permitted Conversion Price Adjustment Event, and each Bondholder shall have the right (the “**Non-Permitted Conversion Price Adjustment Event Repurchase Right**”), at such Bondholder’s option, to require the Issuer to repurchase all (or any portion of the principal amount thereof which is U.S.\$ 1 000 or any integral multiple thereof) of such Bondholder’s Bonds at a price equal to their Accreted Principal Amount (the “**Non-Permitted Conversion Price Adjustment Event Repurchase Price**”), on the date set by the Issuer for such repurchase (the “**Non-Permitted Conversion Price Adjustment Date**”), which shall be not less than 30 days nor more than 60 days following the date on which the Issuer notifies the Bondholders of the

Non-Permitted Conversion Price Adjustment.

9. Taxation

- 9.1** All payments of principal, premium and default interest (if any) made by the Issuer will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of India or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law.
- 9.2** Where such withholding or deduction is in respect of Indian withholding tax on premium payments at the rate of up to 10.0% (plus applicable surcharge on such tax payable and education cess as applicable on such tax) the Issuer will increase the amount of premium paid by it to the extent required so that the amount of premium received by Bondholders amounts to the relevant amount of the premium which otherwise would have been receivable had no such withholding or deduction been required.
- 9.3** In the event that any such withholding or deduction in respect of principal or any such additional withholding or deduction in excess of 10.0% (plus applicable surcharge on such tax payable and education cess as applicable on such tax) in respect of premium or default interest is required to be made, the Issuer will pay such additional amounts by way of principal, premium or default interest as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of any Bond:
- 9.3.1** to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with India otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or
- 9.3.2** (in the case of a payment of principal and premium) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days; or
- 9.3.3** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- 9.3.4** presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent or Conversion Agent in a Member State of the European Union.
- 9.4** References in these Conditions to principal and premium shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefore pursuant to the Trust Deed.

“**Relevant Date**” means, in respect of any Bond, whichever is the later of (i) the date for redemption of such Bond and (ii) if the full amount payable has not been received by the Principal Agent or the Trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Bondholders in accordance with Condition 17.

10. Events of Default

10.1 The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25% in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured and/or prefunded by the Bondholders or by a third party acting on their behalf to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their Accreted Principal Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if any of the following events (each an “**Event of Default**”) has occurred:

- 10.1.1* a default is made in the payment of any principal or premium due in respect of the Bonds or any of them;
- 10.1.2* failure by the Issuer to deliver the Shares as and when such Shares are required to be delivered following conversion of a Bond;
- 10.1.3* the Issuer does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 15 days after written notice of such default shall have been given to the Issuer by the Trustee;
- 10.1.4* the Issuer or any Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or substantially all of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or substantially all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries, except for the purpose of and followed by a Merger (as defined in Condition 11) (i) in accordance with, and complying with the provisions of, Condition 11 or (ii) on terms approved by an Extraordinary Resolution of the Bondholders;
- 10.1.5* (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default or event of default, or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10.1.5 have occurred equals or exceeds U.S.\$ 20,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank selected by the Trustee on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);
- 10.1.6* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Subsidiaries, which is material to the Issuer and its Subsidiaries as a whole, and is not discharged or stayed within 45 days;
- 10.1.7* an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a Merger (i) in accordance with, and complying with the provisions of, Condition 11 or (ii) on terms approved by an Extraordinary Resolution of the Bondholders;

- 10.1.8 an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed in respect of the whole or any substantial part of the property, assets or revenues of the Issuer or any of its Subsidiaries (as the case may be) and is not discharged within 45 days;
- 10.1.9 it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed;
- 10.1.10 any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Subsidiaries, which is material to the Issuer and its Subsidiaries as a whole;
- 10.1.11 any event occurs which under the laws of any relevant jurisdiction has an effect analogous to any of the events referred to in any of the foregoing paragraphs.

“**Subsidiary**” or “**subsidiary**” means any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Indian law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

11. Consolidation, Amalgamation or Merger

The Issuer may consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person (the consummation of any such event, a “**Merger**”), provided that:

- (i) the Issuer shall be solvent immediately prior thereto;
- (ii) prior thereto the Issuer shall have notified the Trustee and the Bondholders of such event in accordance with Condition 17;
- (iii) the corporation formed by such Merger or the person that acquired such properties and assets shall, upon consummation of the Merger, be solvent and shall expressly assume, by a supplemental trust deed, all obligations of the Issuer under the Trust Deed, the Agency Agreement and the Bonds and the performance of every covenant and agreement applicable to it contained therein and to ensure that the holder of each Bond then outstanding will have the right (during the period when such Bond shall be convertible) to convert such Bond into the class and amount of shares, cash and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale or transfer;
- (iv) immediately after giving effect to any such Merger, no Event of Default shall have occurred or be continuing or would result therefrom; and
- (v) the corporation formed by such Merger, or the person that acquired such properties and assets, shall expressly agree, among other things, to indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal and premium on the Bonds.

Such supplemental trust deed shall provide for adjustments which will be as nearly equivalent as may be practicable to the adjustments provided for in the foregoing provisions of Condition 6. The Trustee shall be entitled to require from the Issuer such opinions, consents, documents and other matters at the expense of the Issuer in connection with the foregoing as it may consider appropriate and may rely on such opinions, consents and documents without liability to any person. The above provisions of this Condition 11 will apply in the same way to any subsequent consolidations, amalgamations, mergers, sales or transfers.

12. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years from the Relevant Date in respect thereof.

13. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25% in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or prefunded by the Bondholders or by a third party on their behalf to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14. Meetings of Bondholders, Modification, Waiver and Substitution

14.1 Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the due date for any payment in respect of the Bonds or (ii) to reduce or cancel the amount of principal or premium or default interest payable in respect of the Bonds (including Accreted Principal Amount or method of calculation thereof) or (iii) to change the currency of payment of the Bonds or (iv) to modify or cancel the Conversion Rights or the provisions of Condition 8 or (v) to increase the Conversion Price (other than pursuant to Condition 6.3.1) or to shorten the Conversion Period or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or (vii) to change the governing law of the Bonds, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75%, or at any adjourned such meeting not less than 25%, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 75% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

14.2 Modification and Waiver

The Trustee may agree (subject to the Trust Deed), without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14.1 above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

14.3 Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders, to the substitution of any other company in place of the Issuer, or of any previous

substituted company, as principal debtor under the Trust Deed and the Bonds. In such event, the Issuer shall give notice to Bondholders in accordance with Condition 17.

14.4 Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorization, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and no Bondholder shall be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

14.5 Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in the absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Issuer in connection therewith contains a monetary or other limit or exclusion on the liability of the relevant expert or person in respect thereof.

15. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds shall be constituted by a deed supplemental to the Trust Deed.

17. Notices

All notices to Bondholders shall be validly given if mailed to them at the Issuer's expense at their respective addresses in the register of Bondholders maintained by the Registrar and published at the Issuer's expense in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date of the last such publication and the seventh day after being so mailed.

For so long as any Bonds are listed on the Luxembourg Stock Exchange, notices will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream, for communication by it to entitled account holders in substitution for notification as required by the Conditions.

18. Agents

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (i) a Principal Agent, (ii) a Registrar

outside the United Kingdom, (iii) a Paying Agent and a Conversion Agent having a specified office in a major financial centre in Europe, and (iv) a Paying Agent and Conversion Agent and Transfer Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or comprising with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders in accordance with Condition 17 and in any event not less than 45 days' notice will be given.

19. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

20. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999.

21. Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds, the Issuer has in the Trust Deed irrevocably submitted to the courts of England and in relation thereto has appointed Hackwood Secretaries Limited at its principal place of business in England for the time being, currently at One Silk Street, London EC2Y 8HQ, as its agent for service of process in England. Nothing shall affect the right to serve process in any other manner permitted by law.

Under current regulations of the RBI applicable to convertible bonds, the Issuer would require the prior approval of the RBI before repaying the Bonds prior to March 25, 2019, including following acceleration on an Event of Default prior to March 25, 2019, and such approval may or may not be forthcoming.

TERMS AND CONDITIONS OF THE GDRs

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 each issued in respect of 6 ordinary equity shares of par value two Rupees each (the “Shares”) in Sterling Biotech Limited (the “Company”) pursuant to and subject to an agreement dated Wednesday 1 October 2003, and made between the Company and The Bank of New York in its capacity as depositary (the “Depositary”) (such agreement, as amended from time to time, being hereinafter referred to as the “Deposit Agreement”). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed ICICI Bank Limited as Custodian (the “Custodian”) to receive and hold on its behalf any relevant documentation in respect of 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 the 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 and/or any other depositary which may from time to time be appointed pursuant to the Deposit Agreement, references to the “Custodian” are to ICICI Bank Limited or any other custodian from time to time appointed pursuant to the Deposit Agreement and references to the “Main Office” mean, in relation to the relevant Custodian, its main office in the city of Mumbai or such other location of the main 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 main office of any other custodian from time to time appointed under the Deposit Agreement.

References in these Conditions to the “Holder” of any GDR shall mean the person or persons recorded in the books of the Depositary maintained for such purpose (the “Register”) as holder for the time being. 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, pursuant to the provisions of the Deposit Agreement, 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.

1. Withdrawal of Deposited Property and Further Issues of GDRs

- 1.1 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:
 - (i) 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;
 - (ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement;
 - (iii) 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

- (iv) 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, if Deposited Property is to be withdrawn or delivered during the Distribution Compliance Period.
- 1.2 Certificates for withdrawn Deposited Shares will contain such legends (including, if applicable, the legend required in respect of the Securities Act), and withdrawals of Deposited Shares may be subject to such transfer restrictions or certificates, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws and regulations.
- 1.3 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:
- (i) 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
 - (ii) 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 as aforesaid; 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):

- (a) 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 1.3(i) and (ii) of this Condition 1 (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
- (b) 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.

- 1.4 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 1 will be made subject to any laws or regulations applicable thereto.
- 1.5 The Depositary may, in accordance with the terms of the Deposit Agreement and these Conditions 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 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 corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement and these Conditions, the Depositary may 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.

- 1.6 Any further GDRs issued pursuant to Condition 1.5 which correspond to Shares which have different dividend rights from the Shares corresponding to the outstanding GDRs will correspond to 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, as applicable).
- 1.7 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.
- 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 the Master GDR, 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 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, (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 Deposited Property or GDRs, 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 30 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 limits for the purpose of general application. The Depositary will also set dollar limits with respect to such transactions hereunder with any particular Pre-Releasee hereunder 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 paragraph 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 Schedule 3 Part B, as appropriate.

2. 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 corresponding to 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.

3. Transfer and Ownership

The GDRs are in registered form, each corresponding to 6 Shares. 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.

Prior to expiration of the Distribution Compliance Period, no owner of GDRs may transfer GDRs or Shares represented thereby except in accordance with Regulation S under the Securities Act.

4. 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 corresponding to the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; PROVIDED THAT:

- (a) 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
- (b) 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(iv).

5. 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 corresponding to the GDRs held by them respectively, additional GDRs corresponding to an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs corresponding to 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.

6. 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 corresponding to 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.

7. 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:

- (i) 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 corresponding to 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
- (ii) 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
- (iii) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (i) and (ii) 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 (a) will, PROVIDED THAT Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (b) 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.
- (iv) (a) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(i) (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(i), 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(iv)(c) 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(iv)(b).

- (b) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR 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.
- (c) In order to proceed in the manner contemplated in this Condition 7(iv), 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(iv) 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(iv)(a).

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 Condition 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 Condition 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 (i), (ii), (iii) and (iv) 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.

8. 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 itself convert or cause to be converted by another bank or other financial institution, 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 shall 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 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.

9. Distribution of any Payments

- 9.1 Any distribution of cash under Condition 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.
- 9.2 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.

10. Capital Reorganization

Upon any change in the nominal or par value, 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.

11. Withholding Taxes and Applicable Laws

- 11.1 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.
- 11.2 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 law. 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 represented by any such rights with respect to which 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.

12. Voting Rights

- 12.1 Holders of GDRs will have no voting rights with respect to the Deposited Shares.
- 12.2 If so requested by the Board of Directors of the Company (the “**Board**”), the Depositary will, (subject to receipt from the Company of an opinion from the Company's legal counsel at the expense of the Company, such counsel being reasonably satisfactory to the Depositary, that to do so will not be illegal or violate any applicable law of India, or subject the Depositary to liability to any Holder or any shareholder of the Company), either vote as directed by the Board as conveyed by the Chairman of the Company (the “**Chairman**”) (or, in the Chairman's absence, the chairman of any meeting of the Board) or give a proxy or power of attorney to vote the Deposited Shares in favour of a director of the Company or other person or vote in the same manner as those shareholders designated by the Board. In the absence of receipt from the Company of an opinion from legal counsel as aforesaid, the Depositary shall not have any obligation to exercise any voting rights and shall have no liability to the Company or any Holder for any action taken or not taken as the case may be pursuant to this Condition 12. A valid corporate decision of the Company will bind the Depositary (as registered owner of the Shares) and the Holders and owner of GDRs.
- 12.3 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 and owners of GDRs may not receive sufficient advance notice of shareholders' meetings to enable them to withdraw the Shares and vote at such meetings.

13. Documents to be Furnished, Recovery of Taxes, Duties and Other Charges

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 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. In default thereof, the Depositary may for the account of the Holder discharge the same out of the proceeds of sale on any Stock Exchange on which the Shares may from time to time be listed, and subject to all applicable laws and regulations, of any appropriate number of Deposited Shares or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 23.

14. Liability

- 14.1 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.
- 14.2 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, the 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).
- 14.3 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.
- 14.4 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.
- 14.5 The Depositary shall endeavor to effect any such sale as is referred to or contemplated in Condition 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.
- 14.6 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.
- 14.7 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.
- 14.8 In connection with any proposed modification, waiver, authorization 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.

- 14.9 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.
- 14.10 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.
- 14.11 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.
- 14.12 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 authorized 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.
- 14.13 The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, negligence or bad faith.
- 14.14 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.
- 14.15 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.

- 14.16 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.
- 14.17 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 of, or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement or these Conditions 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.
- 14.18 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, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.
- 14.19 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.
- 14.20 No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or these Conditions.

15. 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.

16. Depositary's Fees, Costs and Expenses

- 16.1 The Depositary shall be entitled to charge the following remuneration and 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:
- (i) 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;
 - (ii) 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;
 - (iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): the greater of US\$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;
 - (iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of U.S.\$0.02 or less per GDR for each such dividend or distribution;

- (v) 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 GDRs (or portion thereof) for each such issue of rights, dividend or distribution;
- (vi) a fee of U.S.\$0.02 or less per GDR for depositary services, which shall accrued on the last day of each calendar year and shall be payable as provided in paragraph (vii) below, provided no fee will be assessed under this paragraph to the extent that a fee was charged in such calendar year pursuant to paragraph (iv) above; and
- (vii) 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 by 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.

- 16.2 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.

17. Agents

- 17.1 The Depositary shall be entitled to appoint one or more agents (the “**Agents**”) for the purpose, inter alia, of making distributions to the Holders.
- 17.2 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.

18. 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 Luxembourg Stock Exchange.

For that purpose the Company will pay all fees, sign and deliver all undertakings and take any other steps required by the Luxembourg Stock Exchange in connection with such listing. In the event that the listing on 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 recognized stock exchange in Europe.

19. 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 90 days' 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 (approved (i) by the Company

such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in India, if any), which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the Custodian. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may, after prior consultation with the Company, terminate the appointment of the Custodian and, in the event of any such termination, the Depositary shall promptly appoint a successor custodian (approved (i) by the Company such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in India, if any), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect 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.

20. Resignation and Termination of Appointment of the Depositary

- 20.1 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.

- 20.2 Upon the termination of 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 to efficiently 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 thereunder for such successor depositary, and the Depositary shall thereafter have no obligation under the Deposit Agreement or these Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21. Termination of Deposit Agreement

- 21.1 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.
- 21.2 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, free of the charge specified in Condition 16.1(i) and Clause 10.1.1(a) for such delivery and surrender, but together with all amounts which the Depositary

is obliged to pay to the Custodian upon payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement.

- 21.3 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.

22. Amendment of Deposit Agreement and Conditions

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, free of the charge specified in Condition 16.1(i) for such delivery and surrender but 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.

23. Notices

- 23.1 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 telex or 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.
- 23.2 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 telex transmission, as provided in this Condition, shall be effective when the sender receives the answerback from the addressee at the end of the telex 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 telex or facsimile transmission received by it from the other or from any Holder, notwithstanding that such telex or facsimile transmission shall not subsequently be confirmed as aforesaid.
- 23.3 So long as GDRs are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, all notices to be given to Holders generally will also be published in a leading daily

newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

24. Reports and Information on the Company

- 24.1 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:
- (i) in respect of the financial year ended on 31 December 2002 and in respect of each financial year thereafter, the non-consolidated (and, if published for holders of Shares, consolidated) balance sheets as at the end of such financial year and the non- consolidated (and, if published for holders of Shares, consolidated) 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;
 - (ii) the semi-annual financial statements of the Company, 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
 - (iii) the quarterly financial statements of the Company, 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.
- 24.2 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.

25. 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.

26. 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.

27. 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.

28. Governing Law

- 28.1 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 and any United States Federal Court sitting in the Borough of Manhattan, New York City. 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 has appointed an agent for service of process in London. 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.
- 28.2 The Company has irrevocably appointed Merricks LLP of 10 Babmaes Street, London SW1Y 6HD, as its agent in England to receive service of process in any Proceedings in England based on the Deed Poll. 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.
- 28.3 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 and accordingly any legal action or proceedings arising out of or in connection with the GDRs (“**Proceedings**”) may be brought in such courts. 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.
- 28.4 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).
- 28.5 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.
- 28.6 The Depositary irrevocably appoints The Bank of New York, 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.

DEPOSITARY

The Bank of New York
101 Barclay Street
22nd Floor
New York, NY 10286

CUSTODIAN

ICICI Bank Limited
ICICI Towers
Bandra Kurla Complex
Mumbai 400 051 India

and/or such other Depositary and/or such other Custodian or Custodians and/or such other or further Agent or Agents and/or specified offices as may from time to time be duly appointed or nominated and notified to the Holders.

DIRECTORS AND MANAGEMENT

Board of Directors

The Board has ultimate responsibility for the management and administration of our affairs. At present, the Board is composed of six Directors.

Directors	Age	Position
Nitin J. Sandesara	53	Chairman & Managing Director
Chetan J. Sandesara	51	Joint Managing Director
Rajbhusan O. Dixit	52	Non-Executive Director
Narendra B. Patel.....	83	Non-Executive Director
Vilas D. Joshi.....	62	Non-Executive Director
P. B. Mehta.....	78	Non-Executive Director

Our Articles provide for not less than three and not more than twelve Directors, including any nominee Directors. We may, subject to the provisions of the Articles of Association, the Companies Act and the Companies Act, 2013, to the extent applicable, alter the minimum or maximum number of Directors by a special resolution of our Shareholders.

Not less than two thirds of the total number of Directors must be elected Directors who retire by rotation. At each annual general meeting, not less than one third of such Directors must retire from office. A retiring Director is eligible for re-election. In addition, the Articles of Association permit nominee directors in the event of any institution agreeing to take our shares to nominate and remove a director so nominated. There are no nominee Directors on our Board.

The Companies Act provides that, in the case of mismanagement of a company or the oppression of our minority Shareholders, the Company Law Board (“CLB”) may appoint such number of directors as it deems fit. The CLB is a statutory quasi-judicial body which administers the Companies Act and other regulations relating to the companies in India. The CLB has never exercised this power in relation to us and no such action is foreseen.

Mr. Nitin J. Sandesara, Chairman & Managing Director, is a Chartered Accountant with over 28 years’ experience in implementing and managing the tea processing, machine tools, gelatin and pharmaceutical business. He was responsible for identifying gelatin as the Company’s future business and under his able guidance; the Company has become one of the leading producers of gelatin in the world. He is responsible for business development and the strategy of the Company.

Mr. Chetan J. Sandesara, Joint Managing Director, is a commerce graduate and has over 26 years of industry experience in tea, SEZ, port, real estate and machine tools business. He is responsible for the Company’s project implementation and day-to-day management.

Mr. R.O. Dixit, Director, is a commerce graduate and has over 25 years of professional legal and taxation experience. He has been associated with the Company since 1995.

Mr. N.B. Patel, Director, 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.

Mr. Vilas D. Joshi, Director, is a law graduate with over 32 years practice as an advocate and solicitor, specialized in the field of corporate law and constitutional matters.

Mr. P.B. Mehta, Director, has a Master’s Degree in Arts. He has provided over four decades of consultancy services to various engineering companies in relation to project development and management.

Director's Remuneration

The maximum aggregate remuneration payable to the Directors is fixed by resolution at a general meeting of Shareholders. There is no sitting fee payable for Board meetings attended. The Company has a policy of reimbursing travelling costs for those Board members to whom it does not pay any salary. The maximum remuneration payable to Directors (excluding sitting fees) in any year, in accordance with the Companies Act, is 11% of our net profits in that year, as calculated in accordance with sections 349 and 350 of the Companies Act. The Articles of Association, however, stipulate a limit on commission at 3% of our net profits in that year, as calculated in the prescribed manner.

For the year ended December 31, 2012, we paid Rs. 2.4 million in remuneration to Mr. Nitin J. Sandesara, our Chairman and Managing Director and we also paid Rs. 2.4 million in remuneration to Mr. Chetan J. Sandesara our Joint Managing Director. We did not pay any remuneration to any other Directors other than out of pocket expenses as mentioned above. Although our Articles of Association provide for sitting fees to be paid to the Directors, we have not paid sitting fees to any of our Directors for the last four years. There are no outstanding or disputed claims from Directors or former Directors. There are no agreements or arrangements to make payments pursuant to any claims from Directors or former Directors. No compensation or redundancy payments have been agreed to be paid to any former Director or former employee.

We do not pay our Directors any performance-related bonuses and we do not offer any share option plans or pension schemes to our Directors. We do not have any non-compete agreements with our Directors.

There are no loans or advances given to any Director, including the Managing Director.

Committees

Audit Committee

We have an audit committee which consists of three non-executive Directors: Mr. R. B. Dixit, Mr. V. D. Joshi and Mr. P. B. Mehta.

The audit committee is required to meet at least four times each year. Its powers and responsibilities include:

- reviewing our financial reporting process and disclosure norms;
- reviewing the internal control systems;
- reviewing accounting policies and practices;
- reviewing reports of our internal auditors;
- reviewing quarterly/half yearly financial statements as well as our financial risk policies;
- recommending the appointment of statutory auditors and fixing audit fees; and
- reviewing internal control systems, scope for observations of the auditors and the adequacy of the internal audit function.

Additional functions as may be stipulated by the regulatory authorities from time to time are also covered under the audit committee's responsibilities.

Remuneration Committee

The remuneration committee consists of three non-executive Directors: Mr. R. B. Dixit, Mr. P. B. Mehta and Mr. N. B. Patel.

The committee is responsible for determining our policy on remuneration packages and other perquisites to be offered to the Executive Directors, including the Managing Director.

Investor/Shareholders Grievance Committee

An investors/Shareholders grievance committee has been formed in order to improve our corporate governance. It consists of three non-executive Directors: Mr. R. B. Dixit, Mr. N. B. Patel and Mr. P. B. Mehta. The main function of the committee is to oversee shareholder redress and investors' complaints, such as transfer/transmission/transposition of shares and non-receipt of annual reports and dividends.

Share Transfer Systems

We have delegated authority to the following Directors and officers for share transfers:

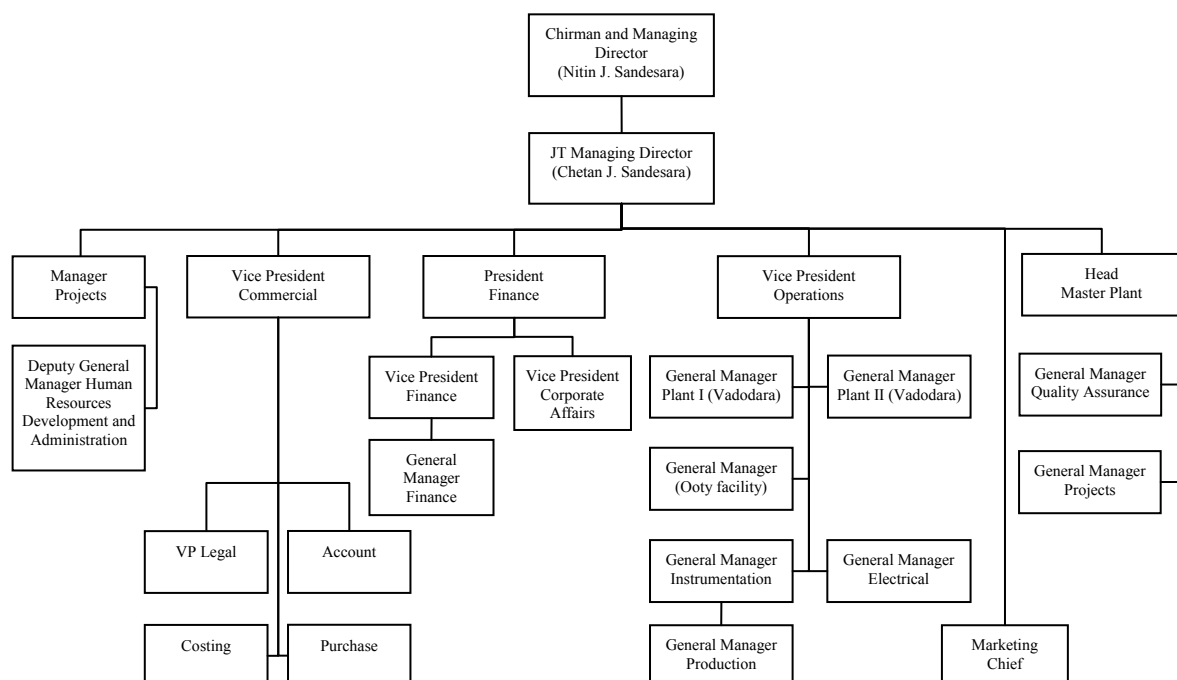
- Mr. Nitin J. Sandesara;
- Mr. Chetan J. Sandesara;
- Mr. R. B. Dixit; and
- Mr. N. B. Patel.

The main function of this committee is to approve the transfer and transmission of shares held in physical form. In addition, we operate a Share Department to look after redressal of Shareholders' or investors' complaints, details of complaints received and their redressal. The Share Department also looks into all types of shareholder-related complaints such as non-receipt of annual report and dividends.

Management

Organizational Structure

The following chart sets forth an overview of our organizational structure:



Our senior management assists the Board. Our daily functioning is handled by the following key executives:

Name of Executives	Age	Qualification	Designation	Area of responsibility
Mr. Sanjay Surana	42	Chartered Accountant	Vice President	Corporate Finance
Mr. Manish Shah	50	Chartered Accountant	President	Commercial

Name of Executives	Age	Qualification	Designation	Area of responsibility
Mr. Pawan Bhatnagar	46	B.Sc. (Petrochemical Technology)	President & CEO-Gelatin	Overall Head of Gelatin Facilities
Mr. P. D. Singh	45	B.E. (Chemicals)	President - Operations	Head of all Gelatin plant operations
Mr. Satish Shah	56	B.E. Electrical	President & CEO-Pharma	Overall Head of Pharma
Mr. Kirtidev Khatri	51	B.Com., LL.B, ACS	Vice President - Legal	Legal
Mr. C. Manokaran	57	B.Sc. Chemistry	Factory Manager-Ooty	Managing works at Ooty facility
Mr. Hemant Chitre	41	B.Com, LLB, CS, MFM	AVP – Corporate Finance	Finance
Dr. Anand Vardhan	51	B.Sc., M.Sc., PHD	Sr. GM – R&D	HOD-R&D
Mr. Debanshu Bhattacharya	49	B.Chem, Engg, Mtech	AVP – API Plant	Location Head – API
Mr. Jitendra J. Sharma	47	B.E. MBA	VP – Marketing	Sales and Marketing
Mr. Kailash H. Baser	53	B.E.(Mech), M.Sc. (Phy)	VP – Purchase	Head – Procurement
Mr. Vikram C. Kale	41	M.Sc. (Micro)	VP –QA/QC	Head – Gelatin Quality
Mr. Kairav Trivedi	43	M.Com., FCA, FCS, LLB, MFM(JBIMS)	Vice President	Finance
Mr. Tejas Shah	33	B.Com, ACA,ACS, CPA (USA)	General Manager- Corporate Finance	Finance

Managers' Remuneration

In the year ended December 31, 2012, we paid to the management the aggregate remuneration of Rs. 45.15 million. No benefits in kind were granted to the management by us and no loans have been made to, or guarantees given on behalf of, our management.

There are no employee stock option or other similar schemes for involving our staff in our capital.

Our Directors and managers can be contacted at our registered office. There have been no unusual transactions since December 31, 2006, and as of the date of these Listing Particulars, there are no such transactions in progress between any of our Directors or managers which, because of their unusual nature or their conditions, are or will be required to be approved by our Shareholders or disclosed in our accounts.

Employees

The number of employees at our facilities as of December 31, 2013 was as follows:

	Karakhadi	Masar	Ooty	Jambusar	Others
Manufacturing	89	70	103	20	0
Engineering support	89	59	92	2	0
Quality testing & research	28	54	8	2	0
Marketing	4	4	4	0	0
Management	32	32	13	2	15
Semi-skilled/unskilled/others	407	25	108	24	15
Total	649	244	328	50	30

For the last three years, the average number of our employees was 1,294. We retain cordial industrial relations with our employees. There have been no strikes or labour disputes since our inception. Management uses periodic annual appraisal systems to reward our employees and we also have performance-based bonus schemes to reward our employees. Except for our employees at Ooty, our other employees do not have any trade unions. The employees do not benefit from any stock option schemes.

Except for the shareholding of our Directors, there is no other interest of any members of the administrative, management or supervisory body in the issuing company.

We have not made any interest-free loans to our employees. No loans have been made to, or guarantees given on

behalf of, the Directors, Promoters.

Employee Post-Retirement Benefits

Employees' post-retirement benefits include a provident fund and a gratuity. Neither the provident fund nor the gratuity requires the approval of the tax authorities.

- All eligible employees benefit from provident fund benefits as laid down by the relevant statute as amended from time to time and implemented by the Government of India. Each eligible employee makes monthly contributions to the plan which are equal to 12% of the employee's salary. We contribute a similar amount. We have no further obligations under the plan beyond our monthly contributions.
- In accordance with Indian law, we provide for a gratuity which is a defined contribution retirement plan covering all eligible employees. The plan provides a lump sum payment to long-term employees at retirement or on termination of employment to an amount based on the respective employee's salary and the years of employment with us. We have taken out a group gratuity policy with the Life Insurance Corporation of India.

PRINCIPAL SHAREHOLDERS

Share Ownership

The following table sets out the pattern of our shareholdings as of December 31, 2013.

Category	Number of Shares Held	Percentage of Total Share Capital (%)
Indian promoters/Promoter Group.....	90,840,135	33.91
Indian public.....	52,288,195	19.52
Financial Institutions/Mutual Funds/Nationalized Banks/Body Corporate	44,795,467	16.72
Underlying shares representing GDRs	45,172,365	16.86
NRI Public/OCBs/FIIs	28,623,990	10.69
Clearing Members.....	6,153,438	2.30
Trust	Nil	Nil
Total	267,873,590	100.00

As of December 31, 2013, the following Shareholders held more than 5.0% of our paid-up Shares:

- The Promoter Group held 90,840,135 Shares representing 33.91% of our paid-up shares;
- The Bank of New York (Depository for the underlying Shares represented by the existing GDRs) held 45,172,365 Shares representing 16.86% of our paid-up Shares; and
- Albula Investment Fund Ltd. held 15,963,234 Shares representing 5.96% of our paid-up Shares.

The following table sets out our Shareholders who owned 1% or more of our outstanding Shares as of December 31, 2013:

Sr. No.	Name of person holding more than 1 per cent. of Shares of the company	Number of shares held	Percentage of shareholding (%)
1	Chetan Sandesara	5,200,000	1.94
2	Aditi Hospitals Pvt. Ltd.	4,752,842	1.77
3	Anula Properties Pvt. Ltd.	3,218,048	1.20
4	Blue Mark Mercantile Pvt. Ltd.	5,326,890	1.99
5	Bullworth Investrade Pvt. Ltd.	4,251,458	1.59
6	Doral Trading Pvt. Ltd.	3,207,570	1.20
7	Helicopter Services Pvt. Ltd.	4,970,220	1.86
8	Jaico Textiles Pvt. Ltd.	4,823,620	1.80
9	Modi Capital Finance (India) Ltd.	2,817,980	1.05
10	Natasha Investment Co. Pvt. Ltd.	3,145,392	1.17
11	Paysan Publishers Pvt. Ltd.	2,803,875	1.05
12	Prabal Investrade Pvt. Ltd.	3,927,146	1.47
13	Puja Aqua Farms Pvt. Ltd.	3,074,778	1.15
14	Rollstar Finance & Investment Pvt. Ltd.	2,948,500	1.10
15	Sanyukta Investrade Pvt. Ltd.	2,710,000	1.01
16	Shameek Breweries Pvt. Ltd.	2,813,384	1.05
17	Unique Proteins Pvt. Ltd.	3,019,780	1.13
18	Albula Investment Fund Ltd.	15,963,234	5.96
19	Amin Technology Services Pvt. Ltd.	6,315,478	2.36
20	Faith Finstock Pvt. Ltd.	5,427,683	2.03
21	Citypoint Trading Company Pvt. Ltd.	5,353,297	2.00
22	Inkpot Infrastructure Pvt. Ltd.	5,207,779	1.94
23	Elara India Opportunities Fund Ltd.	4,455,831	1.66
24	Francisca Investment Pvt. Ltd.	4,356,133	1.63
25	Traub Automatics Pvt. Ltd.	4,163,384	1.55
26	Jitlal Financial Services Pvt. Ltd.	3,624,942	1.35
27	Viel Insurance Services Pvt. Ltd.	3,398,210	1.27
28	Arcadia Share & Stock Brokers Pvt. Ltd.	3,483,990	1.30
29	Soft Star Mercantile Company Pvt. Ltd.	3,000,000	1.12
30	Guinness Securities Ltd.	2,842,460	1.06
31	Avatar India Opportunities Fund	2,800,000	1.05

The entities listed as 1 to 17 above belong to the Promoter Group. Apart from the Promoter Group whose shareholding is listed out in items 1 to 17 above, as far as known to the Company, there are no other natural or legal persons who/which, directly or indirectly, severally or jointly, exercise or could exercise control over the Company.

There are no Shares of the Company, acquired or held by the Company itself or another company, in which it has a direct or indirect holding of more than 50 %.

The following table sets out the individual Directors' shareholdings, as of December 31, 2013:

Name	No. of Shares held	Percentage
Nitin J. Sandesara.....	1,052,000	0.39
Chetan J. Sandesara.....	5,200,000	1.94
Total.....	6,252,000	2.33

In addition to the shareholdings of Mr. Nitin J. Sandesara and Mr. Chetan J. Sandesara set out above, the remaining 84,588,135 shares held by the Promoter Group are held by companies controlled by the promoters or companies in which the promoters have shareholding interests.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in these Listing Particulars. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Exchange and Registration of Title

Owners of interests in the Bonds in respect of which the Global Certificate is issued will only be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream (or any other clearing system as shall have been designated by the Company and approved by the Trustee on behalf of which the Bonds evidenced by this Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Company will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. A person with an interest in the Bonds in respect of which this Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Meetings

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders. Any meeting of the Bondholders, upon the calling of a poll, each Bondholder shall have one vote in respect of each U.S.\$ 1,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Company following its redemption, conversion or repurchase by the Company will be effected by a reduction in the principal amount of the Bonds in the Register.

Trustee's Power

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds, and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which this Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream, Luxembourg, the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal, default interest and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or, if no further payment is to be made in respect of the Bonds, against presentation and surrender of the Global Certificate, to or to the order of the Principal Agent or such

other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg, , for communication by it to entitled account holders in substitution for notification as required by the Conditions and so long as the Bonds are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market of the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Bondholder's Redemption

The Bondholder's redemption options in Conditions 8.4 and 8.5 may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in those Conditions.

Transfers

Transfers of interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which the Global Certificate is issued shall be recognized as the beneficiaries of the trust set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of Bonds in such principal amounts.

CLEARANCE AND SETTLEMENT OF THE BONDS

Custodial and depositary links have been established with Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Bonds and transfers of the Bonds associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry of changes in the accounts of their participants. Euroclear and Clearstream, Luxembourg provide their respective participants with, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Bonds held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Registration and Form

Book-entry interests in the Bonds held through Euroclear and Clearstream, Luxembourg will be evidenced by the Global Certificate, registered in the name of a nominee of the Common Depositary. The Global Certificate will be held by a Common Depositary. Beneficial ownership in Bonds will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Bonds in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Bonds, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Bonds. The Paying Agent will be responsible for ensuring that payments received by it from the Company for holders of interests in the Bonds holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Company will not impose any fees in respect of the Bonds; however, holders of book-entry interest in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

Global Clearance and Settlement Procedures

Initial Settlement

Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Bonds will be credited to Euroclear participant securities clearance accounts on the business day following the Issue Date against payment (for value the Issue Date), and to Clearstream, Luxembourg participant securities custody accounts on the Issue Date against payment in same day funds.

Secondary Market Trading

Secondary market sales of book-entry interests in the Bonds held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Bonds through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional participants.

General

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Bonds among participants of Euroclear and Clearstream, Luxembourg, neither Euroclear nor Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Company and any of its agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

DESCRIPTION OF THE SHARES

Set out below is certain information relating to the Company's share capital, including a brief summary of certain provisions of the Memorandum and Articles of Association and the Companies Act and Companies Act, 2013, to the extent applicable.

*Please note that the Companies Act, 2013 received the assent from the President of India and certain provisions thereof have been subsequently notified on September 12, 2013 ("**Notification**"). To the extent such provisions have been notified, the corresponding provisions of the Companies Act stand repealed. However, the provisions of the Companies Act, 1956, the corresponding provisions for which under the Companies Act, 2013 have not yet been notified, shall continue to be in force until such notification.*

The following section summarizes applicable provisions of the Companies Act, 1956 and Companies Act, 2013, to the extent applicable pursuant to the Notification. Prospective investors should note that the remaining provisions of the Companies Act, 2013, once notified by the Central Government, may have a substantial impact on the description mentioned in this section.

General

The Company's authorized share capital is Rs. 500.00 million consisting of 500 million Equity Shares of Rs. 1.00 each. As on the date of these Listing Particulars, the Company's issued and subscribed share capital is Rs. 271.60 million divided into 271.60 million Equity Shares of Re. 1.00 each and paid up capital is Rs. 267.87 million divided into 267.87 million Equity Shares of Re. 1.00 each.

For the purposes of this section, "**Shareholder**" means a holder of an Equity Shares registered as a member in the register of members of the Company.

Dividends

Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and subject to approval by a majority of the members, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. However, the board of directors is not obligated to recommend a dividend. According to our Articles of Association, the Company in a general meeting may, subject to Section 205 of the Act declare dividends. Dividends shall be paid in accordance with the respective rights and interests of members of the Company and subject to the Companies Act. Under the equity listing agreements of the respective stock exchanges, listed companies are mandated to declare dividend on a per share basis only. Subject to certain conditions specified in the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company determined in accordance with the provisions of the Companies Act or out of the undistributed profits or reserves of prior Fiscal or out of both, calculated in accordance with the provisions of the Companies Act. The Directors may from time to time pay to the members such interim dividends as may appear to it justified by the position of the Company. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders or those persons whose names are entered as beneficial owners in the record of the depository on the date specified as the "**record date**" or "**book closure date**".

Dividends must be paid to the shareholder within 30 days from the date of declaration of the dividend under the Companies Act. No unpaid or unclaimed dividend shall be forfeited unless the claim thereto becomes barred by law. The Company shall comply with the provisions of sections 205A of the Companies Act in respect of unpaid or unclaimed dividend. Where the Company has declared a dividend which has not been paid or claimed, or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend the Company shall within seven days from the date of expiry of the said period of 30 days transfer to a special unpaid dividend account held at a scheduled bank, the total amount of the dividend which remains unpaid or in relation to which no dividend warrant has been posted. For details of the dividend paid by the Company in past three financial years, please refer to "*Dividends and Dividend Policy*".

Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of the previous Fiscal or out of both in compliance with the provisions of Companies (Declaration of Dividend out of Reserves) Rules, 1975. Under the Companies Act,

a company may pay a dividend in excess of 10% of paid-up capital in respect of any year out of the profits of that year only after it has transferred to the reserves of the company a percentage of its profits for that year, ranging between 2.5% to 10% depending on the rate of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital; (ii) the total amount to be drawn from the accumulated profits from previous years may not exceed an amount equivalent to 10% of paid-up capital and reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference shares or shares; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital.

Capitalization of Reserves and Issue of Bonus Shares

The Company in general meeting may, upon the recommendation of the Board, capitalize and distribute any part of the amount for the time being standing in credit of any of the Company's reserve accounts or to the credit of the profit and loss account or standing to the credit of the share premium account. Any sum standing to the credit of the share premium account or any capital redemption reserve account may be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

In addition to permitting dividends to be paid out of current or retained earnings, the Companies Act permits a company to distribute an amount transferred from the general reserve or surplus in its profit and loss account to its shareholders in the form of bonus shares, which are similar to a stock dividend. The Companies Act also permits the issue of bonus shares from a securities premium account. Bonus shares are distributed to shareholders in the proportion of the number of shares owned by them as recommended by the board of directors. The shareholders on record on a fixed record date are entitled to receive such bonus shares. Any issue of bonus shares is subject to guidelines issued by SEBI.

The relevant SEBI guidelines and regulations prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such conversion. Further, as per the regulations specified by SEBI, for the issuance of bonus shares a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. The bonus issue must be made out of free reserves built out of genuine profits or share premium account collected in cash only. The issuance of bonus shares must be implemented within two months from the date of approval by the board of directors, in the event such an issue requires prior shareholder approval.

Pre-emptive Rights and Alteration of Share Capital

The Companies Act gives the shareholders the pre-emptive right to subscribe for new shares in proportion to their respective existing shareholdings unless the shareholders elect otherwise by a special resolution. The offer must include: (a) the right, exercisable by the shareholders of record, to renounce the shares offered in favour of any person; and (b) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted it is deemed to have been declined.

The Articles of the Company provide that the Company from time to time, may in a general meeting, by special resolution:

- increase the capital of the Company by the creation of new shares of one or more classes and of such amount or amounts as it may be deemed expedient;
- reduce its capital in any manner and with subject to any incident authorized and consent required by law;

The Articles of the Company provide that the Company in general meeting may, from time to time, by ordinary resolution:

- consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- sub-divide its existing 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 share shall be the same as it was in the case of the share from which the reduced share is derived;
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

General Meetings of Shareholders

In accordance with section 166 of the Companies Act, a company must hold its annual general meeting each year within 15 months of the previous annual general meeting or within six months after the end of each accounting year, whichever is earlier, unless extended by the Registrar of Companies at the request of the Company for any special reason.

The Articles of Association of the Company provide that the board of directors may, whenever it thinks fit, and shall on the requisition of the members in accordance with the Companies Act, call an extraordinary general meeting. Notice convening a meeting should set out the place, the date and hour of the meeting, and shall contain a statement of the business to be transacted thereat and must be given to members at least 21 days prior to the date of the proposed meeting in accordance with section 171 of the Companies Act. The accidental omission to give notice of any meeting to or the non-receipt of any notice by the member or other person to whom it should be given shall not invalidate the proceedings at the meetings. The chairman of the Board of Directors of the Company shall preside over the general meetings of the Company and shall have a casting vote.

Voting Rights

Every member present in person shall have one vote and on poll, the voting rights shall be as laid down in section 87 of the Companies Act, subject to any rights or restrictions for the time being attached to any class or classes of shares.

The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death or insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the Company at the office before the vote is given.

Convertible Securities

The Company may issue, from time to time, bonds or debentures that are convertible into Equity Shares subject to compliance with applicable law. The Company has outstanding U.S.\$ 134.5 million in principal amount of convertible bonds. Full conversion of such bonds in principal amount (not including accreted interest) would give rise to the issue of 34,628,823 Shares.

Registration of Transfers and Register of Members

The Company is required to maintain a register of members wherein the particulars of the members of the Company are entered. For the purpose of determining the shareholders the register may be closed, subject to seven days prior notice, for such period not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board of Directors may deem expedient in accordance with the provisions of the Companies Act, 2013. Under the listing agreements of the stock exchanges on which the Company's outstanding shares are listed, the Company may, upon at least seven days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of Equity Shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Annual Report and Financial Results

As per our Articles of Association, the director's report, audited statement of accounts, auditors' report and the register of director's holding maintained under Section 307 of the Companies Act is to be laid before the annual

general meeting of the Company. Under the Companies Act, a company must file the annual report with the Registrar of Companies within 30 days from the date of the annual general meeting. As required under the listing agreements with the stock exchanges, copies are required to be simultaneously sent to the stock exchanges. The Company must also file its financial results in at least one English language daily newspaper circulating the whole or substantially the whole of India and also in a newspaper published in the language of the region where the registered office of the Company is situate. The Company files certain information on-line, including its Annual Report, financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by SEBI from time to time.

Transfer of Shares

Following the introduction of the Depositories Act, and the repeal of Section 22A of the SCRA, which enabled companies to refuse to register the transfer of shares in certain circumstances, the equity shares of a public company became freely transferable, subject only to the provisions of Section 59 of the Companies Act, 2013. Since the Company is a public company, the provisions of Section 59 of the Companies Act, 2013 will apply. In terms of section 59 of the Companies Act, 2013, if the name of any person is, without sufficient cause, removed from the register of members or there is unnecessary delay in registering a person as member, any person aggrieved, or any members of the company may appeal to the National Company Law Tribunal ("NCLT") for rectification. Such appeal may also be filed before a competent court outside India, as may be prescribed by the Central Government, by foreign members or debenture holders residing outside India.

Pursuant to Section 59 (4) of the Companies Act, 2013, if a transfer of shares contravenes any of the provisions of the SEBI Act, SCRA, Companies Act, 2013 or any other law for the time being in force, the NCLT may, on application made by the company, a depository, a participant, holder of security or SEBI direct the rectification of the register of records. Further, the provisions of Section 59 of the Companies Act, 2013 do not restrict the right of a holder of shares or debentures to transfer such shares or debentures and any person acquiring such shares or debentures shall be entitled to voting rights unless the voting rights have been suspended by the NCLT.

Prior to the enactment of the Companies Act, 2013, the CLB exercised powers under the Companies Act in relation to the above stated matters. Under section 408 of the Companies Act, 2013, the NCLT has been set up as an appellate authority in relation to the Companies Act, 2013. Section 408 of the Companies Act, 2013 has, however, not yet been notified. Once notified, it is expected that all powers of the CLB would be conferred on the NCLT.

Equity Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. The Company has entered into agreements for such depository services with the National Securities Depository Limited and the Central Depository Services India Limited. SEBI requires that the Company's shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. The Company shall keep a book in which every transfer or transmission of shares will be entered.

Pursuant to the listing agreements, in the event the Company has not effected the transfer of shares within 15 days or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Company is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay.

Acquisition by the Company of its own Equity Shares

Sections 77A, 77AA and 77B of the Companies Act empowers a company to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of the issue of any shares or other specified securities (other than from the proceeds of an earlier issue of the same kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the articles of association of the company;

- a special resolution has been passed in the general meeting of the company authorizing the buy-back;
- the buy-back in a financial year should be limited to 25% of the total paid-up capital and free reserves;
- all the shares or other specified securities for buy-back are fully paid-up;
- the debt owed by the company is not more than twice the capital and free reserves after such buy-back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulation, 1998.

The requirement of special resolution mentioned above would not be applicable if the buy-back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorized by the board of directors of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back and to issue securities for six months. Every buy-back must be completed within a period of one year from the date of passing of the special resolution or resolution of the board of directors, as the case may be. A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company, including its own subsidiary companies, or through any investment company (other than a purchase of shares in accordance with a scheme for the purchase of shares by trustees of or for shares to be held by or for the benefit of employees of the company) or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with certain other provisions of the Companies Act.

Liquidation Rights

The Articles of the Company provide that if the Company is wound up, and the assets available for distribution among the members are insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as possible, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. If in the winding up of the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital, at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. This would be without prejudice to the rights of the holders of the shares issued upon special terms and conditions.

Disclosure of Ownership Interest

Section 187C of the Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to that company the details of the holder of record and the holder of record 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 by a person to comply with Section 187C will not affect the Company's obligation to register a transfer of shares or to pay any dividends to the registered holder of any shares in respect of which the declaration has not been made.

GOVERNMENT OF INDIA APPROVALS

This offering is being made entirely outside India. These Listing Particulars may not be distributed directly or indirectly in India or to residents of India and the Bonds are not being offered or sold and may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

Each purchaser of the Bonds will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Bonds will bear a legend to the effect that the securities evidenced thereby may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless the Company may determine otherwise in compliance with applicable law.

Our Company has received the approval from the Reserve Bank of India, through its letters dated December 16, 2013 and January 15, 2014, for the issuance of the Bonds in a cashless exchange for the Existing Bonds.

Reporting Requirements

A company issuing bonds is required to furnish a statement in the prescribed form to the RBI within 30 days from the date of closing of the issue.

These Listing Particulars will be filed with the RBI, the NSE, the BSE and the Registrar of Companies in Mumbai, for information purposes only.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS

General

With effect from June 1, 2000, foreign investments in Indian securities is regulated by FEMA and the rules, regulations notifications and press notes issued by RBI and the Department of Industrial Policy and Promotion (“DIPP”). A person resident outside India can transfer any security of an Indian company or any other security to an Indian resident only in accordance with the terms and conditions specified in FEMA and the rules and regulations made thereunder or as permitted by the RBI.

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 FEMA and the rules and regulations made thereunder or as permitted by the RBI or the Indian Government through the FIPB. The transfer and issue of securities by a person resident outside India, including but not limited to corporate established and incorporated, is also governed by the FEM Transfer Regulations.

Foreign Direct Investment (“FDI”)

In 1991, the Indian Government formulated the “Industrial Policy”, which, as amended from time to time, contains the policies relating to FDI in Indian companies engaged in business in various sectors of the Indian industry. The Indian Government had, pursuant to its liberalization policy, set up the FIPB to regulate, together with the RBI, FDI into various sectors/activities in India. The FEM Transfer Regulations, the Consolidated FDI Policy effective from April 5, 2013 (the “**FDI Policy**”) and the master circular on Foreign Investments, effective from July 1, 2013 (the “**Master Circular**”) in India set out the limits for FDI in each sector/activity subject to applicable laws, regulations and other conditionalities.

Indirect Foreign Investment

The FDI Policy also prescribes the guidelines for calculation of total foreign investment in an Indian company and in this regard investments by FIIs, NRIs, and investments made by way of ADRs, GDRs, FCCBs, fully, compulsorily and mandatorily convertible preference shares, fully, compulsory and mandatorily convertible debentures together with FDI are required to be taken together.

Portfolio Investment

Portfolio Investment by NRIs

A variety of methods for investing in shares of Indian companies are available to NRIs. These methods allow NRIs to make portfolio investments i.e. through a stock exchange in the shares and other securities of Indian companies. Under portfolio investments, NRIs 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 NRIs does not exceed 10% of the paid-up capital of the company. In addition to portfolio investments, NRIs may also make investments in Indian companies pursuant to the FDI route discussed above.

An overseas corporate body is defined as a company, partnership firm, society or other corporate body owned directly or indirectly to the extent of at least 60%, by NRIs and includes overseas trusts in which not less than 60%, beneficial interest is held by NRIs directly or indirectly (the “Overseas Corporate Bodies”). The RBI has issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003 pursuant to which with effect from September 16, 2003 the facilities for the Overseas Corporate Bodies as a special category of investor under various FEMA and the rules issued by the RBI thereunder were withdrawn.

Portfolio Investment by Other Foreign Investors

SEBI recently notified the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 (“**FPI Regulations**”) whereby FIIs, sub-accounts and Qualified Foreign Investors (“**QFIs**”) categories were merged to form a new category called ‘Foreign Portfolio Investors’ (“**FPIs**”).

Prior to the notification of the FPI Regulations, portfolio investment by FIIs was governed by SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 (the “**FII Regulations**”) and portfolio investment by QFIs was governed by various circulars issued by SEBI from time to time (the “**QFI circulars**”). Pursuant to the notification of the FPI Regulations, the FII Regulations were repealed and the QFI circulars were rescinded.

In terms of the FPI Regulations, any FII who holds a valid certificate of registration shall be deemed to be an FPI till the expiry of the block of three years for which fees have been paid as per the FII Regulations. Further, an FII and sub-account may continue to deal in securities till expiry of its registration subject to payment of conversion fees to SEBI, as prescribed in the FPI Regulations. All existing QFIs may continue to deal in securities till the period of one year from the date of notification of FPI Regulations. In the meantime, the FII, sub-account or QFI may obtain FPI registration through a designated depository participants (“**DDP**”).

Under the FPI Regulations the purchase of equity shares by an FPI or an investor group should be below 10% of the paid up capital of the Indian company.

Further, portfolio investment by FIIS and QFIs are also governed by RBI under FEMA. RBI, however, has not notified the corresponding amendments to regulations under FEMA.

Under the FEMA regulations, no single FII can hold more than 10% of the paid up capital of an Indian company. In respect of an FII investing on behalf of its eligible sub-accounts, the investment on behalf of each eligible sub account shall not exceed 10% of the paid up capital or 5% of the paid up capital in case such eligible sub-account is a foreign corporate or an individual. The total holding of all FIIs in a company is subject to a cap of 24% of the paid up capital of the company. However, the 24% limit may be increased to the sectoral cap/statutory limit as applicable to the Indian company concerned, by the Indian company passing a resolution of its board of directors followed by a special resolution passed by its shareholders at a general meeting which should be intimated to the RBI immediately.

The individual and aggregate investment limits for investment by QFIs in equity shares of listed Indian companies, under the FEMA regulations, shall be 5% and 10% respectively of the paid up capital of an Indian company. Further, wherever there are composite sectoral caps under the extant FDI policy, these limits for QFI investment in equity shares shall also be within such overall FDI sectoral caps.

Issue of Foreign Currency Convertible Bonds

The Ministry of Finance, through the FCCB Scheme and the guidelines on external commercial borrowings including the master circular on External Commercial Borrowings and Trade Credits dated July 1, 2013 (the “**ECB Master Circular**”), has allowed Indian companies to issue FCCBs. The notifications relating to issuance of FCCBs have been amended from time to time by the Ministry of Finance, and certain relaxations in the guidelines have also been notified by RBI. The ECB Master Circular provides that an Indian company may raise external commercial borrowings including by way issue of FCCBs to a person resident outside India under automatic route and under approval route i.e. prior approval of RBI in certain cases. Any Indian company issuing FCCBs is also required to comply with certain reporting requirements prescribed by the RBI. The ECB Master Circular provides that an Indian company, other than a company in the hotels, hospitals or software sector, can raise funds (i) up to U.S.\$ 750 million under the “automatic route” without the approval of RBI in any financial year; and (ii) above the amount of U.S.\$ 750 million with the approval of RBI.

In terms of the FCCB Scheme, the ECB Master Circular, rules and regulations and amendments thereto, an Indian company may issue FCCB is broadly subject to inter alia the following conditions:

- FCCBs are required to have a minimum maturity period of five years;
- the issue of FCCBs shall be subject to the FDI sectoral caps prescribed by the Ministry of Finance;
- the “all in cost” ceiling for FCCBs having a minimum average maturity period of three to five years should not exceed 350 basis points over the six-month LIBOR for the respective currency borrowing or the applicable benchmark rate, and in the case of FCCBs having a minimum average maturity period of more than five years, should not exceed 500 basis points over the six-month LIBOR for the respective currency borrowing or the applicable benchmark rate. The “all in cost” ceiling includes the applicable interest rate,

fees and expenses in foreign currency and excludes commitment fee, pre-payment fee, fees payable in Indian Rupees and payments made towards withholding tax;

- FCCB proceeds must be used, inter alia, for investment purposes (such as the import of capital goods, new projects, modernization/expansion of existing production units) in the real sector, industrial sector, including SMEs and infrastructure sector in India. Utilisation of the FCCB proceeds is also permitted in certain other instances mentioned in the ECB Master Circular. For any use of proceeds, other than those set out above or as specified under the automatic route of the ECB Master Circular, the prior permission of the RBI would be required;
- FCCB proceeds are not permitted to be used, inter alia, for working capital purposes (other than under the approval route for companies in the civil aviation sector);
- FCCB proceeds may not be used for on-lending and investment in capital markets and real estate (other than permitted development of integrated townships), or acquiring a company (or part thereof) in India by a company;
- the issuer must be eligible to raise funds from Indian capital markets and should not have been restrained from accessing the securities market by SEBI;
- erstwhile Overseas Corporate Bodies who are not eligible to invest in India through the portfolio route and entities that are prohibited from buying, selling or dealing in securities by the SEBI are not eligible to subscribe to FCCBs;
- a company can refinance its FCCBs by raising fresh ECBs or FCCBs after complying with applicable law and subject to certain conditions including inter alia: (i) the fresh ECBs or FCCBs should not exceed the outstanding redemption value; and (ii) the fresh ECBs or FCCBs should be raised six months only prior to the maturity date of the outstanding FCCBs;
- In terms of the circular issued by the RBI on September 4, 2013, eligible borrowers have been permitted to avail of ECB under the approval route from their foreign equity holder company with minimum average maturity of 7 years for general corporate purposes subject to certain conditions;
- the primary responsibility to ensure that FCCBs raised/utilized are in conformity with ECB guidelines and the RBI regulations/directions is that of the concerned borrower and any contravention of these guidelines will be viewed seriously and may invite penal action; and
- a company can buy back its outstanding FCCBs with the prior approval of the RBI after complying with the various requirements listed out by the RBI in its circulars on “Buyback/Prepayment of Foreign Currency Convertible Bonds. In terms of the circular issued by the RBI on June 25, 2013, the entire process of buyback should be completed by December 31, 2013.

RBI Circular dated June 30, 2009

The RBI has issued a circular on June 30, 2009 on “External Commercial Borrowing Policy” (consolidated in the ECB Master Circular) which, inter alia, provides that companies that have violated the extant ECB policy and are under investigation by the RBI and/or by the Directorate of Enforcement will not be allowed to access the automatic route for raising an ECB. Any request by such companies for raising an ECB will be examined under the approval route.

TAXATION

Indian Taxation of the Bonds

The following is a summary of the principal Indian tax consequences for non-resident investors of the Bonds and the Shares issuable on conversion of the Bonds. The summary is based on the taxation law and practice in force at the time of these Listing Particulars and is subject to change. Further, it only addresses the tax consequences for persons who are non-resident as defined in the Income Tax Act, who acquire Bonds, or Shares (upon conversion) pursuant to these Listing Particulars and who hold such Bonds or Shares (upon conversion) as capital assets, and does not address the tax consequences which may be relevant to other classes of non-resident investors, including dealers. The summary proceeds on the basis that the person continues to remain a non-resident when the income by way of interest, dividends and capital gains is earned.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS TAX ADVISERS ABOUT THE PARTICULAR TAX CONSEQUENCES OF AN INVESTMENT IN THE BONDS.

The following discussion describes the material Indian income tax, stamp duty consequences of the purchase, ownership and disposal of the Bonds.

This summary is based on the provisions of the Section 115AC Regime. The offering is in accordance with the Section 115AC Regime, and non-resident investors of the Bonds will therefore have the benefit of tax concessions available under the Section 115AC Regime subject to the fulfilment of conditions of that section. Such tax concessions include taxation at a reduced income tax rate of 10% which is then subject to the applicable rate of surcharge on income tax (surcharge is calculated on income tax and the rate is 10% for individuals or associations of persons whose total income exceeds Rs. 10.00 million and 2 per cent. If total income is in the range of Rs. 10.00 million to Rs. 100.00 million and 5% if total income is above Rs. 100.00 million for a company including a body corporate for the current financial year and could vary from year to year and further an education cess and Secondary higher education cess on income tax and surcharge is 3%,) on interest on the Bonds. The premium on redemption would also be taxed at the rate of 10% plus applicable rate of surcharge on income tax and education cess at the applicable rate on income tax including surcharge if the Bonds are held for a period exceeding 36 months. In the case of Bonds held for a period less than 36 months, would be subject to tax at the rates applicable to the holders with a maximum rate of 40 per cent at present plus applicable rate of surcharge and education cess at the applicable rate on income tax including surcharge.

This summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of the Bonds by non-resident investors. Potential investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and sale including, specifically, tax consequences under Indian law, the laws of the jurisdiction of their residence, any tax treaty between India and their country of residence or the country of residence of the overseas depository bank as applicable and, in particular, the application of the provisions of the Income Tax Act and the Section 115AC Regime.

Taxation of Interest, Premium and Distributions and Provision of Tax Treaties

The Section 115AC Regime provides that payment of interest, if any, on the Bonds paid to non-resident holders of the Bonds will be subject to withholding tax at the rate of 10% plus applicable rate of surcharge on the income tax, including education cess on income tax at the applicable rates (or at any more favourable rate available under tax treaties entered into by India with the country of residence of the relevant Depository). The Income Tax Act requires such tax to be withheld at the source. Where the tax is required to be deducted or withheld, the Company will gross up the taxable amount and will be required to account separately to the Indian tax authorities for any withholding taxes applicable on such amounts.

The premium payable by the Company on redemption of the Bonds will be taxed at the concessional rate of 10% (plus surcharge at the applicable rate, including education cess on income tax at the applicable rate), in case the Bond is a long-term capital asset, i.e., it is held for more than 36 months, subject to any more favourable rate under the tax treaties entered into between India and the country of residence of the Bondholder. If it is held for less than 36 months, the premium will be taxed at the applicable rate (plus surcharge, including education cess at the applicable rate). The Company will be under an obligation to deduct tax at source from the premium amount at the applicable rate.

Upon conversion of the Bonds into Shares from the depository facility under the Deposit Agreement dividends paid to such non-resident holder are not presently liable to tax. However, the Company is liable to pay a “dividend distribution tax” currently at the rate of 15% (plus surcharge at 10% and education cess on dividend distribution tax at the applicable rates) on the total amount distributed as dividend and dividends are not taxable in India in the hands of the recipient. The effective rate of dividend distribution tax is approximately 17%.

Distribution to non-residents of additional shares or rights to subscribe for Shares (for the purposes of this Section, “**Rights**”) made with respect to shares are not subject to Indian tax.

Taxation on Acquisition of Shares upon conversion of Bonds

The acquisition of Shares by a non-resident holder on conversion of Bonds does not constitute a taxable event for Indian income tax purposes. Such exchange will, however, give rise to a stamp duty as described below under “Stamp Duty”.

Taxation of Capital Gains

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

With effect from October 1, 2004, any gain realized on the sale of the Shares held for more than 12 months to an Indian resident, or to a non-resident investor in India, will not be subject to Indian capital gains tax if the Securities Transaction Tax (“**STT**”) has been paid on the transaction. Such transactions are subject to STT of 0.125% to 0.25% depending upon the nature of securities. No surcharge or education cess is payable on STT and STT is collected by the relevant stock exchange and is paid to the Government.

Any gain realized on the sale of Shares held for more than 12 months to an Indian resident whether in India or outside India or to a non-resident in India on which no STT has been paid, will be subject to Indian capital gains tax at the rate of 10% plus applicable surcharge on income tax and education cess at the applicable rates on the sale of shares on which no STT is paid. For the purpose of computing capital gains tax on the sale of the Shares under the Section 115AC Regime, the cost of acquisition of Shares will be determined on the basis of the prevailing price of the Shares on the NSE or BSE as on the date on which the relevant Depository gives notice to its Custodian for the delivery of such Shares. A non-resident holder’s holding period (for purpose of determining the applicable Indian capital gains tax rate) in respect of Shares commences on the date of the advice of withdrawal of such Shares by the relevant Depository to its Custodian.

Capital gain realized in respect of Shares held (calculated in the manner set forth in the prior paragraph) for 12 months or less (short-term gain) on which STT is paid in the manner and rates set out above, is subject to tax at the rate of 15% plus applicable surcharge on income tax and an education cess at the applicable rate. In the event that no STT is paid, short-term gain is subject to tax at variable rates with the maximum rate of 40% plus applicable rate of surcharge on income tax and education cess at the applicable rate. The actual rate of tax on short-term gains depends on a number of factors, including the legal status of the non-resident holder and the type of income chargeable in India.

Under the Income Tax Act, capital gains can be of two types, ‘long-term capital gain’ or ‘short-term capital gain’. Normally, gain arising on the sale of capital assets held for more than 36 months is considered a long-term capital gain and gains arising on the sale of capital assets held for less than 36 months is considered as short-term capital gain. Tax on long-term and short-term capital gains, if payable, shall be paid by the transferor in accordance with the relevant provisions of the Income Tax Act.

Neither Section 115AC nor the Depository Receipt Scheme deals with capital losses arising on a transfer of Shares in India. In general terms, 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. 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 determined by the assessing authority 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. If the investors covered by STT regime, the loss arising from transfer of such long term capital asset may not be available for setoff against any capital gains.

Tax Treaties

The provisions of any 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.

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 Agreements, a double taxation treaty, if any, entered into by India with the country of residence of such non-resident investor will be applicable to taxation with respect to any capital gain arising from transfer of such Shares or the Bonds.

Stamp Duty

Under the laws of India, the transfer of ordinary shares in physical form would be subject to Indian stamp duty at the rate of 0.25% of the market value of the ordinary shares on the trade date, and such stamp duty customarily is borne by the transferee, that is, the purchaser. In order to register a transfer of Shares in physical form, it is necessary to present a stamped deed of transfer. However, since the Company's Shares are compulsorily deliverable in dematerialized form there would be no stamp duty payable in India on transfer of these Shares in dematerialized form. There is no stamp duty liability on sale or transfer of Bonds outside India.

Other Taxes

At present, there are no wealth, gift or inheritance taxes which may apply to the Bonds or the underlying shares.

Service Tax

Brokerage or commissions paid to stockbrokers in connection with the sale or purchase of shares listed on a recognized stock exchange in India are subject to a service tax of 12% (plus education cess at the applicable rate) *ad valorem*. The stockbroker is responsible for collecting the service tax and paying it to the relevant authority.

GENERAL INFORMATION

- (1) The Company was incorporated on March 23, 1985. It is incorporated in the Republic of India under registration number 35738, CIN No. L51900MH1985PLC035738. The registered office of the Company is 43, Atlanta Building, Nariman Point, Mumbai 400 021, India.

The main objects of the Company as set out in Clause III (A) of the Memorandum of Association are set out below:

1. To carry on the business as manufactures, 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 gelatin 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 the 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, minerals 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 machine 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 manufactures products, goods and ware, plant, machinery, tools and equipment, all types of fabrics made from natural or artificial fibres or a blend of natural and artificial fibres, garments, apparel, feeding stuffs, food 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.
- (2) Copies of the Memorandum and Articles of Association of the Company, the Paying and Conversion Agency Agreement, the Deposit Agreement and the Trust Deed will be available for inspection, free of charge, at the website of the Principal Agent, www.madisonpac.com/html/index_test.php by accessing the folder titled “*Issuer’s Information*”, through user name “*noteholder*” and password “*sterling2014*” (right-click on the document link) and during ordinary business hours at the specified office of the Company.
- (3) The issue of the Bonds was authorized by a resolution of the Shareholders of the Company on June 29, 2013 and by the Board of the Company on May 15, 2013.

- (4) Our Existing Bonds have been admitted to trading on the Singapore Exchange Securities Trading Limited since May 2007. Application has been made for the listing of the Bonds on the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF market. So long as the Bonds are listed on the Luxembourg Stock Exchange, the Issuer shall appoint and maintain a paying agent in Luxembourg, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Certificates in definitive form. In addition, in the event that the Global Certificate is exchanged for Certificates in definitive form, announcement of such exchange shall be made by or on behalf of the Issuer through the Euro MTF and such announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Luxembourg.
- (5) Copies in English of the Company's latest audited annual financial statements and semiannual financial statements and these Listing Particulars may be obtained free of charge at the website of the Principal Agent, www.madisonpac.com/html/index_test.php by accessing the folder titled "Issuer's Information", through user name "noteholder" and password "sterling2014" (right-click on the document link) . The Company does not produce consolidated financial statements because it does not have any consolidated subsidiaries or affiliates. The Company publishes its unaudited quarterly financial statements in accordance with Indian regulations. Its audited annual report as of and for the year ended December 31, 2012, summary audited financial statements as of and for the year ended December 31, 2013 and the unaudited financial statements for nine months ended September 30, 2013 are currently available. Our Company is in the process of preparing the financial statements for the year ended December 31, 2013 along with the relevant notes and schedules and expects to circulate such financial statements to its shareholder for approval in May 2014 and therefore, summary audited financial statements as of and for the year ended December 31, 2013 as reported to the BSE and the NSE, have been included in the listing particulars.
- (6) The Bonds have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg with a Common Code of The International Securities Identification Number for the Bonds.
- (7) Other than as otherwise stated in these Listing Particulars, the Company has obtained all consents, approvals and authorizations in India required to be obtained at this stage in connection with the issue and performance of the Bonds.
- (8) Except as disclosed in these Listing Particulars, there has been no significant change in the financial or trading position of the Company since December 31, 2013 and no material adverse change in the financial position or prospects of the Company since December 31, 2013.
- (9) The Company is not involved in any litigation or arbitration proceedings or any regulatory investigations relating to claims or amounts which are material in the context of the issue of the Bonds nor, so far as the Company is aware, is any such litigation or arbitration pending or threatened.
- (10) The financial statements of the Company as at and for the years ended December 31, 2012, 2011 and 2010 as set out in these Listing Particulars have been audited by H.S. Hathi & Co, auditors to the Company, as stated in their reports appearing herein and therein.

H.S. Hathi & Co has given and has not withdrawn its written consent to the issue of these Listing Particulars with references to their audit reports with references to them in the form and context in which they appear.
- (11) Subject to the relevant provisions of the Civil Code, (i) submission by the Company to the jurisdiction of the English courts, and the appointment of an agent for service of process, are valid and binding under Indian law and (ii) the choice of English law as the governing law of the Bonds, under the laws of India, is a valid choice of law and should be honored by the courts of India, subject to proof thereof and considerations of public policy.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IAS/IFRS AND INDIAN GAAP

The financial statements of the Company (collectively referred to as the “**Financial Statements**”) included in this document have been prepared in accordance with Indian GAAP, which differ in certain material respects from IAS/IFRS, and the requirements of the Companies Act.

The following is a summary of the significant differences between Indian GAAP and IAS/IFRS insofar as they are relevant to the Financial Statements.

The Company has maintained primary financial records for the preparation of its Financial Statements, cash flow and other disclosure requirements as per Indian GAAP, rather than IAS/ IFRS, and the information for the purposes of this document has been prepared on the basis of such Financial Statements. Accordingly, there can be no assurance that the table below is complete, or that the differences described disclose the most material differences between Indian GAAP and IAS/IFRS.

For the purposes of this document, Indian GAAP and IAS/IFRS pronouncements made up to June 30, 2013 have been considered.

SUBJECT	INDIAN GAAP	IAS/IFRS
1. Financial Statements		
Contents of financial statements	Balance sheets, profit and loss account, statement on accounting policies and notes for two years. Cash flow statement is required to be furnished by: (i) listed companies, companies in the process of listing on Indian Stock Exchanges, banks, financial institutions, insurance companies; and (ii) non-listed enterprises whose turnover exceeds Rs. 500 million.	Balance sheets, income statement, cash flow statement, statement of changes in equity, accounting policies and notes for two years.
Override of standards	No override of standards permitted unless contrary to applicable law.	In rare cases, override of standards permitted
2. Financial Statements		
Format for presentation of financial statements	Specific format has been prescribed for the presentation of balance sheet in Schedule VI to the Companies Act. Although there is no particular format prescribed for the profit and loss account, disclosure norms for certain income and expenditure have also been specified in the Companies Act. Extraordinary items to be disclosed separately on the face of profit and loss account.	Does not prescribe a particular format for presentation of financial statements. However, certain items must be presented on the face of the balance sheet/ income statement. Expenditure must be presented in one of the two formats (function/nature). Current and non-current assets and current and non-current liabilities are to be presented as separate classifications on the face of the balance sheet. Separate disclosures of extraordinary items prohibited.
3. Consolidated Financial		
Statements (“CFS”) Consolidation of subsidiaries	SEBI requires listed companies and those seeking a listing to publish CFS in addition to the separate financial statements of the parent as per AS-21. Unlisted companies have the option of not presenting CFS. AS 21 does not require consolidation, but sets out the principles and procedures to be followed in the event that consolidated financial statements are presented or required by law or regulation.	CFS must be prepared whenever there is a parent-subsidiary relationship (with a few minor exceptions). A parent need not prepare CFS if: <ul style="list-style-type: none">• it is a wholly or partly owned subsidiary;• its owners have been informed about, and do not object to, the parent not presenting CFS;• the parent’s debt or equity is not traded; and• the ultimate (or any intermediate)

SUBJECT	INDIAN GAAP	IAS/IFRS
		parent produces CFS available for public use and complies with IAS/IFRS.
Investments in subsidiaries and associates	Investments in joint ventures can be accounted as per proportional consolidation method.	Investment in joint ventures can be accounted as per proportional consolidation method or equity accounting method.
Accounting for investments in subsidiaries in parent's separate financial statements	In a parent's separate financial statements, investments in subsidiaries are carried at cost less any impairment loss recognized.	In a parent's separate financial statements, investments in subsidiaries are accounted as follows: <ul style="list-style-type: none"> investments not held for sale – at cost or in accordance with IAS/IFRS 39. investments held for sale – in accordance with IAS/IFRS 5.
Different reporting dates of parent and subsidiaries	The financial statements of the parent and its subsidiaries should be drawn up to the same reporting date to consolidate. When it is impracticable to do this, financial statements drawn up to different reporting dates are used provided the difference between reporting dates is not more than six months. Adjustment for significant intervening transactions is required in such cases.	The financial statements of the parent and its subsidiaries should be drawn up to the same reporting date to consolidate. When it is impracticable to do this, financial statements drawn up to different reporting dates are used provided the difference between reporting dates is not more than three months. Adjustment for significant intervening transactions is required in such cases.
Goodwill on consolidation	<p>Goodwill is the excess of the cost of the parent's investment over its portion of the equity (book value) of the acquired company at the time of acquisition.</p> <p>Goodwill arising on consolidation is carried at cost less any accumulated impairment losses in accordance with AS 28 on Impairment of Assets.</p> <p>While there is no specific guidance for negative goodwill, the same is credited directly to capital reserve account, which is a component of shareholders' funds.</p>	<p>Goodwill is the excess of the cost of the parent's investment over its interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company at the time of acquisition.</p> <p>Goodwill arising on consolidation is carried at cost less any accumulated impairment losses in accordance with IAS/IFRS 36 on Impairment of Assets.</p> <p>If the parent's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the combination, the parent shall:</p> <ul style="list-style-type: none"> reassess the identification and measurement of the acquirer's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and recognize immediately in the profit and loss account, any excess remaining after that reassessment.
4. Income/Expense Recognition		
Exchange differences on foreign currency transactions	<p>Original Accounting Standard 11 on "Effects of changes in Foreign Exchange Rates"</p> <p>All exchange differences are recognized in the profit and loss account except those relating to acquisition of fixed assets, which are adjusted in the carrying cost of the fixed assets.</p> <p>Revised Accounting Standard 11 (applicable in respect of all accounting periods commencing on or after April 1, 2004) All exchange differences, including those relating to acquisition of fixed assets, are recognized in the profit and loss account.</p> <p>However, as per Schedule VI to the Companies Act, exchange differences relating to acquisition of fixed assets should</p>	All exchange differences, including those relating to acquisition of fixed assets, are recognized in the profit and loss account.

SUBJECT	INDIAN GAAP	IAS/IFRS
Forward exchange contracts	<p>be adjusted to the carrying cost of the fixed assets.</p> <p>Since this is as per statute (Companies Act), this should override the Accounting Standard.</p> <p>Original AS 11 on “Effects of changes in Foreign Exchange Rates”</p> <p>In respect of transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the profit and loss account over the period of the contract except in respect of liabilities incurred for acquiring fixed assets, in which case, such difference should be adjusted in the carrying amount of the respective fixed assets.</p> <p>Revised AS 11 (applicable in respect of all accounting periods commencing on or after April 1, 2004).</p> <p>The premium or discount arising at the inception of a forward exchange contract (not intended for speculation or trading) should be amortized as expense or income over the life of the contract. Exchange differences on such a contract should be recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognized as income or as expense for the period. Exchange differences on contracts which are speculative in nature are recorded in the profit and loss account.</p>	<p>Forward exchange contracts fall within the meaning of derivatives. These are initially recognized at fair value. Any changes in fair value are taken to the profit and loss account.</p> <p>However, if a forward contract satisfies hedge criteria, then it needs to be classified as either fair value hedge or cash flow hedge. If it is classified as fair value hedge, the gain or loss is accounted in profit and loss account. If is classified as cash flow hedge, the gain or loss is accounted in statement of changes in equity to the extent of effective portion. The ineffective portion is taken to profit and loss account. The gain/loss is transferred to profit and loss account when the gain or loss on hedged item is recognized in the profit and loss account.</p>
	<p>AS 15, “Accounting for Retirement Benefits in the Financial Statements of Employers” covers only post retirement benefits (including pensions and health and welfare schemes).</p> <p>No specific accounting guidance is available for accounting of short-term employee benefits like leave benefits, profit sharing plans, bonus plans etc.</p> <p>No specific actuarial method is prescribed for valuation of retirement benefit obligation.</p> <p>No detailed guidelines given for various parameters of actuarial valuation like actuarial assumptions, curtailment and settlement, return on plan assets etc.</p> <p>Past service cost is recognized immediately in the profit and loss account.</p> <p>Actuarial gains or losses are recognized immediately in the profit and loss account.</p>	<p>IAS 19, “Employee Benefits” covers:</p> <ul style="list-style-type: none"> • post retirement benefits; • short-term benefits • termination benefits; and • other long-term benefits. <p>Specific accounting guidelines are given for accounting of short-term employee benefit plans like leave benefits, profit sharing plans, bonus plans etc.</p> <p>Defined benefit obligation needs to be actuarially valued as per projected unit credit method.</p> <p>Detailed guidelines given for various parameters of actuarial valuation like actuarial assumptions, curtailment and settlement, return on plan assets etc.</p> <p>Past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.</p> <p>Actuarial gains or losses are recognized as income or expense to the extent that they exceed the higher of 10% of the present value of the defined benefit obligation or 10% of the fair value of the scheme assets. The actuarial gains and losses are recognized over the average remaining working lives of employees participating in the plan. An entity can elect to recognize all</p>

SUBJECT	INDIAN GAAP	IAS/IFRS
Depreciation accounting	<p>Depreciation should be charged on tangible fixed assets on a systematic basis to amortize the depreciable amount of the asset over its estimated useful economic life.</p> <p>However, minimum depreciation rates are prescribed in Schedule XIV to the Companies Act. If the rates applied are different from the rates specified in the governing statute then the rates and/or useful lives are also to be disclosed.</p> <p>Estimate of residual value is not reviewed every year for the purpose of determining depreciable amount.</p>	<p>actuarial gains and losses immediately.</p> <p>Depreciation should be charged on tangible fixed assets on a systematic basis to amortize the depreciable amount of the asset over its estimated useful economic life. No minimum depreciation rates are prescribed.</p> <p>Estimate of residual value is reviewed every year for the purpose of determining depreciable amount.</p>
Borrowing costs	<p>Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a cost of that asset.</p> <p>Other borrowing costs are recognized as an expense in the period in which they are incurred.</p>	<p>The benchmark treatment is to expense all borrowing costs in the period in which they are incurred.</p> <p>Allowed alternative treatment is that borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset should be treated as part of the cost of the relevant asset. Where the allowed alternative is adopted, that treatment should be applied consistently to all borrowing costs incurred for the acquisition, construction and production of all qualifying assets.</p>
5. Assets		
Investments in shares and securities	<p>Investments are classified as:</p> <ul style="list-style-type: none"> • long-term or current; • quoted or unquoted; and <p>Long-term investments are carried at cost. Provision is made to recognize a diminution, other than temporary, in the value of the investments.</p> <p>Current investments are carried at the lower of cost and fair value determined on an individual basis or by category of investment and the movement in fair value is recognized in the profit and loss account.</p>	<p>Investments are classified as:</p> <ul style="list-style-type: none"> • held to maturity; • available for sale; and • held for trading. <p>All investments are initially recognized at fair value (the fair value of consideration given).</p> <p>Held to maturity investments are carried at amortized cost (using the effective interest method) only if the investor has a positive intent and ability to hold them to maturity.</p> <p>Available for sale investments are carried at fair value and the unrealized movements in fair value are recognized in equity until disposal, at which time those unrealized movements from prior periods are recognized in the profit and loss account.</p> <p>Held for trading investments are carried at fair value and the differences are recognized in the profit and loss account. Comprehensive disclosures are required for all financial instruments, accounting policies applied to these instruments, their terms and conditions, fair values and the risks associated with them.</p>
Intangible assets - research and development costs	<p>As per AS 8 on “Accounting for Research and Development”, research and development costs are usually charged to expense in the year in which they are incurred. However research and development costs can be deferred to future periods if certain specified conditions are met and amortized on a systematic basis.</p>	<p>There is no recognition of an intangible asset arising from research. Expenditure on research is recognized as an expense when it is incurred. An intangible asset arising from development is recognized only if specified criteria are met.</p>

SUBJECT	INDIAN GAAP	IAS/IFRS
	With effect from accounting periods commencing on or after 1 April 2003, AS 26 on Intangibles has been introduced and AS 8 has been withdrawn. As per AS 26, no intangible asset arising from research costs should be recognized. Expenditure on research should be recognized as an expense when it is incurred. An intangible asset arising from development should be recognized only if specified criteria are met.	
Intangible assets - amortisation	The depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. If the estimated useful life of an intangible asset is more than ten years, it should be amortized on a systematic basis over the useful life, and in addition it should be tested for impairment annually even if there are no indications of impairment.	An entity should assess whether the useful life of the intangible asset is finite or infinite. The depreciable amount of an intangible asset with a finite life is amortized on a systematic basis over its useful life. An intangible asset with an indefinite useful life is not amortized but is tested for impairment at least annually.
6. Liabilities		
Discounting of provisions	The amount of provision should not be discounted to its present value.	Where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditures expected to be required to settle a provision.
Constructive obligation and restructurings	AS 29 does not permit restructuring costs to be provided for based on "constructive obligation". No provision is required in respect of onerous contracts. Deferred tax arises in respect of timing differences. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets should be recognized and carried forward only to the extent that there is a "reasonable certainty" that sufficient future taxable income will be available against which such deferred tax assets can be realized.	IAS/IFRS 37 recognizes the principles of constructive obligation for making provision in respect of restructuring costs. Provision is required in respect of onerous contracts. Deferred taxes arise in respect of temporary differences. Deferred tax assets, however, should be recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is "probable" that taxable profit against which temporary timing differences can be utilized will be available. However, disclosure is required of evidence which supports recognition of deferred tax asset on account of unabsorbed losses and carry forward depreciation. Current and deferred taxes should be charged or credited directly to equity if they relate to items that are credited or charged directly to equity.
7. Other accounting and reporting topics		
Events after the balance sheet date	Adjustments in the financial statements for the events occurring after the balance sheet date and its corresponding disclosure are similar to IAS/ IFRS, except that dividends proposed or declared after the balance sheet date but before approval of the financial statements are treated as an adjusting event and accrued as a provision.	Dividends proposed or declared after the balance sheet date but before approval of the financial statements and stated to be in respect of the period covered by the financial statements are non- adjusting events under IAS/IFRS 10, disclosed but not accrued.
Employee stock options	At present, there is no accounting standard or guidance note issued by ICAI requiring accounting for employee stock option plans ("ESOPs"). In the case of listed companies, SEBI Guidelines contain two methods for accounting ESOPs in the books of account.	<ul style="list-style-type: none"> • IAS/IFRS 2 requires mandatory charge to the income statement of the fair value of options given to employees. • IAS/IFRS 2 requires detailed

SUBJECT	INDIAN GAAP	IAS/IFRS
	One method is to record as compensation the excess of market price at the date of grant of option over the exercise price (option discount method). Therefore if the market price and the grant price were the same there will be no charge in the income statement of the employer. The other method is to record compensation based on the Black Scholes or other similar valuation method. In the case of unlisted companies, applying these rules is difficult (not impossible) because of absence of market price. In the absence of a market price, fair value of unlisted shares should be used as determined by using dividend yields, expected growth rates, industry P/E's, etc.	disclosures to be made.
Accounting for construction contracts	For accounting period commencing on or after April 1, 2003, AS 7(Revised) is IAS/IFRS applicable.	AS 7 is consistent with IAS 11 For accounting period commencing prior to April 1, 2003 AS-7 was in force, which was different from IAS 11 in the following respects: (i) completed contract method was permitted. There was no requirement for combining and segmenting construction contracts, (ii) no separate disclosure was required for gross amounts due to or due from customers.
Issuance and redemption costs for borrowings	Debt issuance costs and redemption premium payable on the redemption of debt may be amortized, charged as an expense or charged to the Securities Premium Account.	Debt issuance costs and redemption premiums payable on the redemption of debt are treated as a deferred charge and amortized using the effective interest rate method over the life of the debt.
Interim financial reporting	AS 25 mandates that in case a regulator requires an enterprise to prepare and present certain information at an interim date which may be different in form and/or content as may be required by AS 25, the recognition and measurement methods per AS 25 shall apply. Presently Indian Stock Exchanges mandatorily stipulate per listing agreements for quarterly publication of financial information, which is subject to limited review by the auditors.	IAS 34 does not mandate: (i) which enterprise should publish interim financial reports, (ii) how frequently or (iii) how soon after the end of an interim period. Such matters are left to local regulators.

DEFINITIONS AND GLOSSARY

Definitions of Certain Terms Used in these Listing Particulars:

The following list of defined terms is intended for the convenience of the reader only and is not exhaustive.

API	Active Pharmaceutical Ingredients.
Articles	Articles of Association of the Company.
Board	The board of directors of the Company.
Bondholders	Holders of the Bonds.
Bonds	The U.S.\$206,464,00 Zero Coupon Convertible Bonds due 2019.
BSE	The BSE Limited.
CAGR	Compound Annual Growth Rate.
Civil Code	The Code of Civil Procedure, 1908 of India (as amended).
Clearing Systems	Euroclear and Clearstream, Luxembourg.
Clearstream, Luxembourg	Clearstream Banking, société anonyme, incorporated under the laws of The Grand Duchy of Luxembourg.
Closing Date	March 24, 2014, or such other date as notified by the Company.
CoQ10	Coenzyme Q10.
Common Depositary	A common depositary in London for Clearstream, Luxembourg and Euroclear.
Companies Act, or Companies Act, 1956	Companies Act, 1956 of India, as amended.
Company	Sterling Biotech Limited.
Conditions	The terms and conditions of the Bonds.
DCP	Di-calcium Phosphate.
Directors	The directors of the Company.
Existing Bonds	U.S.\$ 250,000,000 Zero Coupon Convertible Bonds due May 16, 2012 of our Company, convertible into ordinary shares of our Company, issued on May 15, 2007 (ISIN: XS0298125351, Common Code: 029812535)
Euroclear	Euroclear Bank S.A./N.V.
FCCB(s)	Foreign currency convertible bond(s).
FEMA	The Foreign Exchange Management Act, 1999 of India, as amended.
FIIA	Foreign Investment Implementation Authority.
FII(s)	Foreign Institutional Investor(s).
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India.
FSMA	The U.K. Financial Services and Markets Act 2000.
GDRs	Global depositary receipts each currently representing six Shares.
Global Certificate	The global certificate that will represent the Bonds.
GMW	Gelatin Manufacturers Association of Europe.

HCL	Hydrochloric Acid.
Government	The Government of India.
IAS	International Accounting Standards.
ICAI	The Institute of Chartered Accountants of India.
IFRS	International Financial Reporting Standards.
Income Tax Act	The Income Tax Act, 1961 of India, as amended.
India	The Republic of India.
Indian GAAP	Generally accepted accounting principles in India.
Indian Stock Exchanges	BSE and NSE.
Issuer	The Company or Sterling Biotech Limited.
MOF	Ministry of Finance of India.
MTPA	Metric Tonnes Per Annum.
Non-Resident Indian(s)	An individual/individuals of Indian nationality or origin residing outside India.
NSE	The National Stock Exchange of India Limited.
OECD	Organisation for Economic Co-operation and Development.
RBI	Reserve Bank of India.
Rupee, Rs.	The currency of India.
SCRA	Securities Contracts (Regulation) Act, 1956 of India, as amended.
SCRR	Securities Contracts (Regulation) Rules, 1957 of India, as amended.
SEBI	Securities and Exchange Board of India.
Securities Act	The U.S. Securities Act of 1933, as amended.
Shares	Fully paid equity shares with full voting rights of the Company each with a nominal value of Re. 1.00.
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 of India, as amended.
Trust Deed	The Trust Deed to be dated on or about the Closing Date and made between the Company and the Trustee, constituting the Bonds
Trustee	Madison Pacific Trust Limited, in its capacity as trustee for the holders of the Bonds.
U.K.	The United Kingdom of Great Britain and Northern Ireland.
United States or U.S.	The United States of America, its territories and possessions and the District of Columbia.
U.S. dollars, dollars, \$, U.S.\$	The currency of the United States of America.

INDEX TO THE FINANCIAL STATEMENTS

Financial statements prepared in accordance with India GAAP

Audited Financial Results for the year ended December 31, 2013 F – 1

Audited Financial Statements for the year ended December 31, 2012, 2011 and 2010 F – 6

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Rs. in Lacs)

Sr. No.	Particulars		Three Months ended			Twelve Months ended	
			31/12/2013	30/09/2013	31/12/2012	31/12/2013	31/12/2012
			(Refer Note No. 4)	Unaudited	(Refer Note No. 4)	Audited	Audited
1	Income from Operations						
	a)	Net Sales/Income from Operations	15,074.86	16,134.99	20,354.83	71,806.95	83,477.42
	b)	Other Operating Income	52.98	111.36	56.75	426.05	702.31
	c)	Total Income from Operations	15,127.84	16,246.35	20,411.58	72,233.00	84,179.73
2	Expenses						
	a)	Cost of materials consumed	9,342.57	8,049.25	19,210.08	48,434.51	61,445.02
	b)	Purchase of stock-in-trade	-	-	-	-	-
	c)	Changes in inventories of finished goods, work-in-progress and stock-in-trade	893.26	2,954.81	(5,081.70)	2,749.80	(3,350.82)
	d)	Employee benefits expense	1,367.37	1,334.53	1,327.83	5,467.68	5,368.03
	e)	Depreciation and amortization expense	6,443.62	6,334.62	6,785.71	25,431.66	26,004.96
	f)	Other Expenses	1,236.76	1,185.64	1,348.47	5,686.91	5,255.12
	g)	Total Expenses	19,283.58	19,858.85	23,590.39	87,770.56	94,722.31
3	Profit / (Loss) from Operations before Other Income and finance Costs (1-2)		(4,155.74)	(3,612.50)	(3,178.81)	(15,537.56)	(10,542.58)
4	Other Income		-	-	-	-	-
5	Profit / (Loss) from Ordinary activities before finance costs (3+4)		(4,155.74)	(3,612.50)	(3,178.81)	(15,537.56)	(10,542.58)
6	Finance Costs		11,533.39	11,098.48	10,299.88	43,770.79	41,232.82
7	Profit / (Loss) from Ordinary Activities after finance costs but before tax (5-6)		(15,689.13)	(14,710.98)	(13,478.69)	(59,308.35)	(51,775.40)
8	Tax expense						
	a)	Current	-	-	-	-	-
	b)	Deferred	(5,090.00)	(4,773.00)	(4,373.00)	(19,243.00)	(16,798.00)
	c)	Total	(5,090.00)	(4,773.00)	(4,373.00)	(19,243.00)	(16,798.00)
9	Net Profit / (Loss) from Ordinary Activities after tax (7-8)		(10,599.13)	(9,937.98)	(9,105.69)	(40,065.35)	(34,977.40)
10	Extraordinary Items		-	-	-	-	-
11	Net Profit / (Loss) for the period (9+10)		(10,599.13)	(9,937.98)	(9,105.69)	(40,065.35)	(34,977.40)
12	Prior year adjustment		-	-	-	-	-
13	Profit available for appropriation		(10,599.13)	(9,937.98)	(9,105.69)	(40,065.35)	(34,977.40)
14	Paid-up equity share capital (Face Value of Re.1/- per share)		2,678.74	2,678.74	2,678.74	2,678.74	2,678.74
15	Reserves excluding Revaluation Reserves as per balance sheet					144,333.65	184,399.00
16.i	Earnings Per Share (EPS) (before extraordinary items) (F.V. of Re.1/- each) (not annualised)						
	a)	Basic	(3.96)	(3.71)	(3.40)	(14.96)	(13.06)
	b)	Diluted	(3.50)	(3.29)	(3.01)	(13.24)	(11.56)
16.ii	Earnings Per Share (EPS) (after extraordinary items) (F.V. of Re.1/- each) (not annualised)						
	a)	Basic	(3.96)	(3.71)	(3.40)	(14.96)	(13.06)
	b)	Diluted	(3.50)	(3.29)	(3.01)	(13.24)	(11.56)

Select Information for the Year ended 31 December 2013

Sr. No.	Particulars		Three Months ended			Twelve Months ended
			31/12/2013	30/09/2013	31/12/2012	31/12/2013
A	PARTICULARS OF SHAREHOLDING					
1	Public Shareholding					
	-	Number of shares	131,861,090	131,861,090	131,861,090	131,861,090
	-	Percentage of shareholding	49.23%	49.23%	49.23%	49.23%
2	Promoters and Promoter Group Shareholding					
	a)	Pledged/Encumbered				
		Number of shares	50,816,835	50,816,835	50,816,835	50,816,835
		Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	55.94%	55.94%	55.94%	55.94%
		Percentage of shares (as a % of the total share capital of the Company)	18.97%	18.97%	18.97%	18.97%
	b)	Non-encumbered				
		Number of shares	40,023,300	40,023,300	40,023,300	40,023,300
		Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	44.06%	44.06%	44.06%	44.06%
		Percentage of shares (as a % of the total share capital of the Company)	14.94%	14.94%	14.94%	14.94%

Sr. No.	Particulars	Quarter ended 31/12/2013
B	INVESTOR COMPLAINTS	
	Pending at the beginning of the Quarter	0
	Received during the quarter	0
	Disposed of during the quarter	0
	Remaining unresolved at the end of the quarter	0

STANDALONE STATEMENT OF ASSETS AND LIABILITIES

Sr. No.	Particulars		STANDALONE
			Twelve Months Ended 31/12/2013
A	EQUITY AND LIABILITIES		Audited
1	SHAREHOLDERS' FUND		
	a)	Share Capital	2,678.74
	b)	Reserves and Surplus	144,333.65
	c)	Money received against share warrants	0.00
	Sub - total Shareholders' Funds		147,012.39
2	Share Application money pending allotment		0.00
3	Non-current liabilities		
	a)	Long-term borrowings	94,778.49
	b)	Deferred tax liabilities (net)	0.00
	c)	Other long-term liabilities	0.00
	d)	Long-term provisions	0.00
	Sub-total - Non-current liabilities		94,778.49
4	Current liabilities		
	a)	Short-term borrowings	169,252.24
	b)	Trade payables	2,005.17
	c)	Other current liabilities	326,834.44
	d)	Short-term provisions	0.00
	Sub-total - Current liabilities		498,091.85
	TOTAL - EQUITY AND LIABILITIES		739,882.73
B	ASSETS		
1	Non-current assets		
	a)	Fixed assets	554,322.78
	b)	Goodwill on consolidation	0.00
	c)	Non-current investments	37,651.74
	d)	Deferred tax assets (net)	4,558.99
	e)	Long-term loans and advances	0.00
	f)	Other non-current assets	0.00
	Sub-total - Non-current assets		596,533.51
2	Current assets		
	a)	Current investments	0.00

STANDALONE STATEMENT OF ASSETS AND LIABILITIES

Sr. No.	Particulars		STANDALONE
			Twelve Months Ended
			31/12/2013
	b)	Inventories	79,351.98
	c)	Trade receivables	33,570.60
	d)	Cash and cash equivalents	1,748.72
	e)	Short-term loans and advances	28,677.92
	f)	Other current assets	0.00
		Sub-total - Current assets	143,349.22
		TOTAL - ASSETS	739,882.73

Notes:

- 1 The company's operations fall under single segment hence segment reporting as defined in Accounting Standard 17 is not applicable.
- 2 The above Financial results have been reviewed by the Audit Committee and approved by the Board of Directors in its meeting held on 28 February 2014 and have been Audited by the Statutory Auditors of the Company.
- 3 The Company has Overseas Subsidiary and there are no business operations in the subsidiary company.
- 4 The Figures of the last Quarter ended on 31 December 2013 are the Balancing figures between the audited figures in respect of the full financial year ended on 31 December 2013 and published year to date figures upto the third quarter ended on 30 September 2013 of the Current year and figures for corresponding Quarter ended on 31 December 2012 are the Balancing figures between the audited figures in respect of the full financial year ended on 31 December 2012 and published year to date figures upto the third quarter ended on 30 September 2012.
- 5 The Board has not recommended any dividend on equity shares for the financial year ended 31st December, 2013.
- 6 Previous period figures have been regrouped/reclassified, wherever necessary.

**For and on Behalf of
STERLING BIOTECH LIMITED**

**Chetan J. Sandesara
Joint Managing Director**

Place : Mumbai
Date : 28 February 2014.

FINANCIAL STATEMENT

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 2012 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, 2012, 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, 2012 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, 2012;
 - ii) In the case of the Profit & Loss Account, of the loss 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 Regn No. 103596W

HEMANT S. HATHI
Partner
Membership No 37109

Place: Mumbai
Date: 1st March, 2013

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, 2012.

- (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 companies covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year was Rs. 221.46 crore and the year end balance of loans granted to such parties was Rs. 83.68 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 2012 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 has incurred cash losses during the year but not in the immediately preceding financial year. The company does not have any accumulated losses.
- (xi) According to the information and explanations given to us by the management, and on the basis of records examined by us, the company has defaulted in the repayment of the dues to financial institutions or banks or debenture holders. The amount outstanding and overdue for less than 60 days is Rs. 238.32 crores and for more than 60 days is Rs. 2172.07 crores.
- (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.
- 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) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (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 Regn No. 103596W

HEMANT S. HATHI
Partner
Membership No 37109

Place: Mumbai
Date: 1st March, 2013

BALANCE SHEET AS AT 31 DECEMBER 2012

(Amount in Rs.)

Particulars	Note	As at 31 December 2012	As at 31 December 2011
Equity and Liabilities			
Shareholders' funds			
Share capital	3	267,873,590	267,873,590
Reserves and surplus	4	18,439,900,028	24,641,013,672
		<u>18,707,773,618</u>	<u>24,908,887,262</u>
Non-current liabilities			
Long-term borrowings	5	11,373,494,284	15,064,734,616
Deferred tax liability (Net)	6	1,468,401,369	3,148,201,369
		<u>12,841,895,653</u>	<u>18,212,935,986</u>
Current liabilities			
Short-term borrowings	7	14,717,896,791	12,260,269,875
Trade payables	8	264,989,370	438,788,890
Other current liabilities	9	24,225,908,922	15,444,040,112
Short-term provisions	10	78,318,430	79,764,758
		<u>39,287,113,513</u>	<u>28,222,863,634</u>
TOTAL		<u>70,836,782,784</u>	<u>71,344,686,881</u>
ASSETS			
Non-current assets			
Fixed Assets			
Tangible Assets	11	36,331,308,939	29,420,986,569
Capital work-in-progress		15,518,122,866	16,455,063,138
Investments	12	3,765,106,519	3,650,032,593
		<u>55,614,538,324</u>	<u>49,526,082,300</u>
Current Assets			
Inventories	13	8,699,373,868	10,087,911,756
Trade receivables	14	3,470,959,962	7,230,116,749
Cash and Bank balances	15	178,330,754	219,872,188
Short-term loans and advances	16	2,873,579,876	4,268,516,620
Other Current Assets		-	12,187,269
		<u>15,222,244,460</u>	<u>21,818,604,581</u>
TOTAL		<u>70,836,782,784</u>	<u>71,344,686,881</u>

Significant Accounting Policies

2

The Notes are and integral Part of this Financial Statements

**As per our report of even date attached
For H.S.Hathi & Co.**

Chartered Accountants,
Firm Regn.No.103596W

Hemant S. Hathi

Partner
Membership No. 037109

Place : Mumbai

Date : 1st March 2013

For and on behalf of the Board of Directors

Nitin J. Sandesara

Chairman & Managing Director

Chetan J. Sandesara

Jt.Managing Director

Rajbhushan O. Dixit

Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2012

Particulars	Note	(Amount in Rs.)	
		Year ended 31 December 2012	Year ended 31 December 2011
Income			
Revenue from operations (net)	18	8,347,741,871	16,619,539,356
Other income		70,231,210	93,078,221
Total Revenue (I)		8,417,973,081	16,712,617,577
Expenses			
Manufacturing Expenses	19	6,144,501,549	10,279,959,845
Change in inventories of finished goods and work-in-progress	20	(335,081,753)	(1,483,668,774)
Employee benefits expense	21	536,802,751	505,656,257
Other expenses	22	525,512,257	943,524,012
Total (II)		6,871,734,804	10,245,471,340
Earnings before interest, tax, depreciation, amortisation and before exceptional item (I - II)		1,546,238,277	6,467,146,237
Depreciation		2,588,308,614	2,522,246,281
Finance costs		4,123,282,071	2,704,308,412
Profit/(Loss) before exceptional item and tax		(5,165,352,409)	1,240,591,544
Less : Extraordinary Item		(12,187,269)	(962,270,850)
Profit/(Loss) before tax		(5,177,539,678)	278,320,694
Tax expense			
- Current tax		-	57,002,200
- Deferred tax		(1,679,800,000)	30,001,369
Total Tax expense		(1,679,800,000)	87,003,569
Profit/(Loss) after tax		(3,497,739,678)	191,317,125
Prior Year Adjustment		-	8,168,520
Profit/(Loss) for the year		(3,497,739,678)	199,485,645
Earning per equity share [Face value of Rs. 1/- each]	23		
- Basic		(13.06)	0.71
- Diluted		(11.56)	0.63

Significant Accounting Policies

2

The Notes are an integral part of this Financial Statements
As per out report of even date attached

For and on behalf of the Board of Directors

For H.S.Hathi & Co.

Chartered Accountants,
Firm Regn.No.103596W

Nitin J. Sandesara
Chairman & Managing Director

Chetan J. Sandesara
Jt.Managing Director

Hemant S. Hathi

Partner
Membership No. 037109
Place : Mumbai
Date : 1st March 2013

Rajbhushan O. Dixit
Director

Notes to the Financial Statements for the year ended 31 December 2012

1. Nature of Operations

Sterling Biotech Limited ("The Company") is engaged in the manufacturing of Pharma Grade Gelatine & Di-Calcium Phosphate and other Pharma products.

2. Summary of Significant Accounting Policies

2.1. Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

2.2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting period end. Difference between the actual results and estimates are recognised in the period in which results are known/materialised.

2.3. Tangible Assets

Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Loss arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

2.4. Depreciation / Amortisation

Depreciation is provided on pro-rata basis on the Straight Line Method (SLM) at the rates and in the manner prescribed under schedule XIV of the Companies Act, 1956 on all assets. Depreciation pertaining to revalued amounts is withdrawn from Revaluation Reserve Account and credited to the statement of Profit and Loss.

2.5. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.6. Impairment

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/ cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net-selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

2.7. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8. Revenue Recognition

Sale of goods: Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of trade discounts, rebates, sales taxes and excise duties.

2.9. Other Income

Interest: Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Export Benefits: The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.

2.10. Foreign Currency Translations

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transactions. Exchange difference on settlement of transactions of fixed assets is capitalized with acquisition cost of fixed assets. The balance exchange fluctuation is charged to revenue. Current Assets and Liabilities are translated at year-end exchange rates.

2.11. Retirement Benefits

Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted for on accrual basis.

2.12. 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 Statement of Profit & Loss.

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 Statement of Profit & Loss 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 the statement of Profit & Loss on accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to the Statement of Profit & Loss on accrual basis. Thus charge to the Statement of Profit & Loss 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.

2.13. Current and deferred tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised for tax loss and depreciation carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is virtually certain and is supported by convincing evidence that sufficient future taxable profits can be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

2.14. Research and Development expenditure

Revenue expenditure is charged to the statement of Profit and Loss in the period in which it is incurred. Capital expenditure is debited to Fixed Assets and depreciated at applicable rates.

2.15. Provisions and Contingent Liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle present obligation at the Balance Sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent Liabilities are disclosed when there is possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

2.16. Cash and Cash Equivalents

In the cash flow statement cash and cash equivalent include cash in hand, demand deposits with banks and other short term highly liquid investments.

2.17. Earning Per Share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless they have been issued at a later date.

2.18. Measurement of EBITDA

The Company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/(loss) from continuing operations before depreciation and amortisation expense, finance cost and tax expense.

3. **Share Capital**

(Amount in Rs.)

	As at 31 st December, 2012		As at 31 st December, 2011	
	No. of Shares	Amount	No. of Shares	Amount
Authorised				
Equity Shares of Rs. 1/- each	500,000,000	500,000,000	500,000,000	500,000,000
Issued and Subscribed				
Equity Shares of Rs. 1/- each	271,597,590	271,597,590	271,597,590	271,597,590
Paid up				
Equity Shares of Rs. 1/- each	267,873,590	267,873,590	267,873,590	267,873,590
Total		267,873,590		267,873,590

a. **Reconciliation of number of shares
Equity shares**

	As at 31 December 2012		As at 31 December 2011	
	No. of Shares	Amount	No. of Shares	Amount
Balance as at the beginning of the year	267,873,590	267,873,590	267,873,590	267,873,590
Add : Shares issued during the year	-	-	-	-
Balance as at the end of the year	267,873,590	267,873,590	267,873,590	267,873,590

b. **Rights, preferences and restrictions attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 1/- per share. Each shareholder of equity share is entitled for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c. **Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

	As at 31 December 2012		As at 31 December 2011	
	Numbers	% holding	Numbers	% holding
Equity shares of Rs. 1/- each fully paid				
Albula Investment Fund Limited	15,963,234	5.96%	15,963,234	5.96%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

4. **Reserves and Surplus (Amount in Rs.)**

	As at 31 December 2012	As at 31 December 2011
General Reserve		
Balance as at the beginning of the year	11,786,771,161	11,656,928,373
Add/(Less) : Transferred from/(to) Profit & Loss Account	(3,497,739,678)	92,342,788
Add/(Less) : Transferred from/(to) Debenture Redemption Reserve	(107,142,857)	37,500,000
Balance as at the end of the year	8,181,888,626	11,786,771,161
Debenture Redemption Reserve		
Balance as at the beginning of the year	391,071,428	321,428,571
Add/(Less) : Transferred from/(to) Profit & Loss Account	-	107,142,857
Add/(Less) : Transferred from/(to) General Reserve	107,142,857	(37,500,000)
Balance as at the end of the year	498,214,285	391,071,428
Share Premium Account		
Balance as at the beginning of the year	12,463,171,083	12,463,171,083
Less : Provision for Premium on redemption of FCCB	(2,703,373,966)	-
Balance as at the end of the year	9,759,797,117	12,463,171,083
Total	18,439,900,028	24,641,013,672

5. **Long-term borrowings**

(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)

	As at 31 December 2012	As at 31 December 2011
Term Loans from Banks	305,000,000	1,696,666,366
Redeemable Non-Convertible Debentures	1,050,000,000	1,650,000,000
External Commercial Borrowings		
a) ECB 2009 aggregating USD 70,875,000 (31 December 2011: USD 84,375,000)	3,882,341,138	4,494,656,250
b) ECB 2010 aggregating USD 112,020,000 (31 December 2011: USD 135,600,000)	6,136,153,146	7,223,412,000
Total	11,373,494,284	15,064,734,616

1. Interest rates on Rupee term loans from banks vary in the range of 11.5% p.a. to 16.35% p.a. (linked with BPLR). The said loans are repayable in quarterly installments with a maximum tenure of 6 years. Part of the said loans are also secured by way of second charge on the current assets of the Company, both present and future, on pari passu basis and/or the personal guarantees of the Promoter Directors of the Company.

2. Interest rate on Redeemable Non-Convertible Debentures is 12%. The said debentures are redeemable in 20 quarterly installments starting from November 05, 2010 and last installment due on August 05, 2015.

3. Interest rates on External Commercial Borrowings vary in the range of 4.50% p.a. to 6.50% p.a. (linked with LIBOR). The said ECBs are repayable in half yearly installments starting from May 20, 2012 with a maximum tenure of 6 years.

4. The company has defaulted in repayment of certain debt obligations towards installments and interest. Certain Banks and Financial Institutions have initiated legal action against the Company and/or its directors for recovery of these debt. However, the Company is in continuous dialogue with the lenders for bilateral restructuring of its debt. Certain banks have already restructured its debt.

6. **Deferred tax liability (Net) (Amount in Rs.)**

	As at 31 December 2012	As at 31 December 2011
Deferred tax liability	1,468,401,369	3,148,201,369
Total	1,468,401,369	3,148,201,369

7.	Short-term borrowings	(Amount in Rs.)	
		As at	As at
		31 December 2012	31 December 2011
	Working Capital Borrowings from Banks	10,235,481,185	9,290,604,056
	(Secured by way of first charge on Current Assets of the company, on pari passu basis)		
	Interest accrued and due on working capital borrowings	859,665,423	397,422,180
	Short Term Loans from Banks	3,622,750,183	2,572,243,639
	Total	14,717,896,791	12,260,269,875
	1. Interest rates on Working capital Borrowings from Banks vary in the range of 13.25% p.a. to 16.50% p.a. (linked with BPLR). The said loans are repayable on demand and also secured by way of a second charge on the fixed assets of the Company, on pari passu basis. Part of the said loans are additionally secured by way of a personal guarantees of the two Directors of the Company.		
	2. Interest rate on the Short Term Loans from Banks repayable during 2011 and 2012 vary in the range of 13.25% to 15%.		
8.	Trade payables	(Amount in Rs.)	
		As at	As at
		31 December 2012	31 December 2011
	Trade payables	264,989,370	438,788,890
	Total	264,989,370	438,788,890
9.	Other current liabilities	(Amount in Rs.)	
		As at	As at
		31 December 2012	31 December 2011
	Current maturities of long term borrowings (note 5)		
	[Including interest accrued and due]		
	Term Loans from Banks	7,758,231,716	5,666,422,273
	Redeemable Non-Convertible Debentures	2,518,071,685	1,463,525,521
	External Commercial Borrowings		
	a) ECB 2009 aggregating USD 23,336,260 (31 December 2011: USD 5,625,000)	1,278,297,315	299,643,750
	b) ECB 2010 aggregating USD 39,805,539 (31 December 2011: USD 11,800,000)	2,180,439,951	628,586,000
	Foreign Currency Convertible Bonds		
	Zero Coupon Convertible Bonds due 2012	10,070,920,816	7,164,815,000
	(Aggregating to USD 183,852,085 (31 December 2011: USD 134,500,000)		
	[Including provision for premium on redemption aggregating to USD 49,352,085 (31 December 2011: Nil)]		
		23,805,961,482	15,222,992,544
	Other current liabilities	419,947,440	221,047,568
	Total	24,225,908,922	15,444,040,112
	The Company had 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 were redeemable in May 2012 i.e. after 5 years and 1 day from closing date. The Bonds were convertible into equity shares/GDRs of the Company at any time after 18 June 2007 at a conversion price of Rs. 163.13 per share. During the years 2008 and 2009, the FCCBs of US\$ 11.6 million and US\$ 20.90 million respectively were converted into equity share of the company. The company has also bought back FCCBs of US\$ 83.00 million in 2009 pursuant to the RBI Guidelines. As at 31 December 2012, the Company's outstanding FCCBs has a nominal value of US\$ 134.50 Million and maturity value of USD 183.85 Million including redemption premium. The remaining Bonds as on the date of maturity i.e. May 2012 have neither been redeemed nor converted into the shares/GDR's of the Company. Pursuant to the default in redemption on maturity, certain Bond holders through their Trustee have also initiated legal action against the Company. However, the Company has appointed an International Consultant who in turn is in the process of restructuring the remaining bonds subject to statutory and regulatory approvals.		
10.	Short term provisions	(Amount in Rs.)	
		As at	As at
		31 December 2012	31 December 2011
	Other Provision	78,318,430	79,764,758
	Total	78,318,430	79,764,758

11. FIXED ASSETS

TANGIBLE ASSETS								
(Amount in Rs.)								
Particulars	Gross Block			Depreciation			Net Block	
	01 January 2012	Additions	31 December 2012	01 January 2012	For the year	31 December 2012	31 December 2012	31 December 2011
Land & Development	341,490,057	-	341,490,057	-	-	-	341,490,057	341,490,057
Leasehold Land	648,448,287	-	648,448,287	-	560,941	560,941	647,887,346	648,448,287
Building	2,320,170,075	2,021,671,376	4,341,841,451	506,092,019	83,256,107	589,348,126	3,752,493,325	1,814,078,056
Plant & Machinery	35,413,462,488	7,366,803,031	42,780,265,519	9,127,650,293	2,466,019,331	11,593,669,624	31,186,595,895	26,285,812,195
Office Equipments & Furniture	345,242,712	187,814	345,430,526	107,960,349	21,143,498	129,103,847	216,326,679	237,282,363
Vehicles	151,853,332	109,968,763	261,822,095	57,977,721	17,328,737	75,306,458	186,515,637	93,875,611
TOTAL	39,220,666,951	9,498,630,984	48,719,297,935	9,799,680,382	2,588,308,614	12,387,988,996	36,331,308,939	29,420,986,569
Previous Year	35,726,277,669	3,494,389,282	39,220,666,951	7,277,434,101	2,522,246,281	9,799,680,382	29,420,986,569	28,448,843,568

Note : Additions to Plant & Machinery includes Borrowing cost and exchange variation on foreign currency loans for expansion projects.

12. Investments (Amount in Rs.)

	As at 31 December 2012	As at 31 December 2011
In Units of Mutual Funds [Market Value Rs. 4,986,329 (31 December 2011: Rs. 6,327,717)]	14,976,458	14,902,532
In Shares (Quoted) [Market Value Rs. 5,932,294 (31 December 2011: Rs. 5,892,735)]	30,435,921	30,435,921
In Shares (Un-quoted at cost)	3,719,694,140	3,604,694,140
Total	3,765,106,519	3,650,032,593

13. Inventories (Amount in Rs.)

	As at 31 December 2012	As at 31 December 2011
Raw Materials	1,590,794,421	3,306,942,669
Stock in Process	6,370,616,253	5,475,129,387
Stores & Spares parts	154,945,720	162,417,112
Finished Goods	583,017,474	1,143,422,588
Total	8,699,373,868	10,087,911,756

14. Trade Receivables (Unsecured, Considered Good) (Amount in Rs.)

	As at 31 December 2012	As at 31 December 2011
Outstanding for a period exceeding six months from the date they are due for payment	555,235,641	29,164,873
Other receivables	2,915,724,321	7,200,951,876
Total	3,470,959,962	7,230,116,749

15.	Cash and Bank Balances		(Amount in Rs.)
		As at	As at
		31 December 2012	31 December 2011
	Cash and cash equivalents		
	Cash on hand	2,108,406	2,163,427
	Balances with banks		
	In Current Account	49,947,660	53,713,306
	In Fixed Deposits	126,274,688	163,995,455
	Total	178,330,754	219,872,188
16.	Short-term loans and advances		(Amount in Rs.)
	(Unsecured, Considered Good)		
		As at	As at
		31 December 2012	31 December 2011
	Deposits	45,611,888	42,952,372
	Balance with Excise & Other Government Authorities	100,392,884	122,308,665
	Advance recoverable in cash or kind or for value to be received	2,727,575,104	4,103,255,584
	Total	2,873,579,876	4,268,516,620
17.	Contingent Liabilities (Not provided for)		(Rs. In Lacs)
		As at	As at
		31 December 2012	31 December 2011
	Estimated amount of contracts remaining to be executed on capital account	885.81	2,786.52
	Letters of credit issued by the Banks	Nil	4,986.00
18.	Revenue		(Amount in Rs.)
		For the Year ended	For the Year ended
		31 December 2012	31 December 2011
	Sale of Finished goods	8,347,741,871	16,619,539,356
	Revenue from operations (net)	8,347,741,871	16,619,539,356
19.	Cost of material consumed		(Amount in Rs.)
		For the Year ended	For the Year ended
		31 December 2012	31 December 2011
	Opening Stock	3,469,359,781	1,720,221,049
	Add: Purchases	4,420,881,909	12,029,098,577
		7,890,241,690	13,749,319,626
	Less: Closing Stock	1,745,740,141	3,469,359,781
	Total	6,144,501,549	10,279,959,845
20.	Changes in inventory of finished goods and work-in-progress		(Amount in Rs.)
		For the Year ended	For the Year ended
		31 December 2012	31 December 2011
	Inventory at the end of the year		
	Finished goods	583,017,474	1,143,422,588
	Work-in-progress	6,370,616,253	5,475,129,387
		6,953,633,727	6,618,551,975
	Inventory at the beginning of the year		
	Finished goods	1,143,422,588	1,888,349,076
	Work-in-progress	5,475,129,387	3,246,534,125
		6,618,551,975	5,134,883,201
	(Increase)/decrease in inventory	(335,081,753)	(1,483,668,774)
21.	Employee benefits expense		(Amount in Rs.)
		For the Year ended	For the Year ended
		31 December 2012	31 December 2011
	Salaries, Wages & Bonus	498,669,051	462,314,416
	Contribution to Provident Fund & Other funds	17,524,532	15,580,587
	Staff Welfare expenses	20,609,168	27,761,254
	Total	536,802,751	505,656,257

Managerial Remuneration (included above)		(Amount in Rs.)
	As at	As at
	31 December 2012	31 December 2011
Salary (including Bonus)	4,800,000	11,991,000
Total	4,800,000	11,991,000
22. Other expenses		(Amount in Rs.)
	For the Year ended	For the Year ended
	31 December 2012	31 December 2011
Repair & Maintenance: Buildings	10,110,643	22,192,752
Repair & Maintenance: Plant & Machinery	45,502,700	88,519,879
Travelling & Conveyance	46,908,946	90,506,074
Telephone & Telex	16,116,390	31,557,297
Printing & Stationery	8,583,094	16,846,752
Postage, Telegram & Courier	10,976,136	22,256,477
Office Expenses	113,204,237	145,797,070
Selling & Distribution Expenses	274,110,111	525,847,711
Total	525,512,257	943,524,012
Auditors Remuneration (Included in Office expenses)		
Audit Fees	400,000	400,000
Tax Audit Fees	150,000	150,000
Taxation and other matters	200,000	200,000
Service Tax	92,700	77,000
Total	842,700	827,000
23. Earnings per share (EPS)		
	For the Year ended	For the Year ended
	31 December 2012	31 December 2011
a. Net Profit/(loss) for the year as per Statement of Profit and loss	(3,497,739,678)	191,317,125
b. Nominal value of each Equity share (Rs.)	1.00	1.00
c. Weighted average No. of Equity Shares for Basic EPS	267,873,590	267,873,590
d. Basic Earnings per Share (Rs.) (a/c)	(13.06)	0.71
e. Weighted average No. of Equity Shares for Diluted EPS	302,503,000	302,503,000
f. Diluted Earnings per Share (Rs.) (a/e)	(11.56)	0.63
24. Foreign Currency Earnings and Expenditure		(Rs. In Lacs)
	For the Year ended 31	For the Year ended 31
	December 2012	December 2011
a. FOB value of Exports	22,296.78	51,407.73
b. CIF Value of Imports	43.53	820.84
c. Other Expenditure	1,032.17	948.87
25. Segmental Reporting		
The company's operations fall under single segment; hence Segment Reporting as defined under AS-17 is not applicable to the Company.		
26. Related Party Disclosure		
A. Names of Related Parties and relationship		
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		
Atlantic Bluewater Services Pvt. Ltd.		
British Oil & Gas Exploration Ltd.		
Sterling Fincom Private Limited, Mauritius (Subsidiary)		
Sterling Commercial FZE, U.A.E. (subsidiary of Sterling Fincom Private Limited, Mauritius)		

B. The aggregate amount of transaction with the related parties is as below (Rs. In Lacs)

	Nature of Transaction	For the Year ended 31 December 2012	For the Year ended 31 December 2011
1.	Mr. Nitin J. Sandesara	Remuneration 24.00	69.50
2.	Mr. Chetan J. Sandesara	Remuneration 24.00	50.41
3.	Sterling SEZ and Infrastructure Limited	Loans & Advances 3,112.00	7,612.00
		Maximum amount outstanding 7,612.00	12,813.00
4.	Sterling Oil Resources Limited	Loans & Advances Nil	9,278.00
		Maximum amount outstanding 9,278.00	18,153.00
5.	Sterling Port Limited	Loans & Advances 5,256.00	5,256.00
		Maximum amount outstanding 5,256.00	8,665.00
6.	Sterling SEZ and Infrastructure Limited	Investment 18,500.00	18,500.00
	Sterling Oil Resources Limited	Investment 500.00	500.00
	Sterling Port Limited	Investment 17,036.00	17,036.00
	Atlantic Bluewater Services Pvt. Ltd.	Investment 4.97	4.97
	British Oil & Gas Exploration Ltd.	Investment 5.46	5.46

27. Dues to micro and small enterprises

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, disclosure required under the Act have not been given.

28. Previous year figures

The financial statements for the year ended 31 December 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 December 2012 are prepared as per the Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per out report of even date attached

For H.S.Hathi & Co.

Chartered Accountants,
Firm Regn.No.103596W

For and on behalf of the Board of Directors

Hemant S. Hathi

Partner

Membership No. 037109

Nitin J. Sandesara

Chairman & Managing Director

Chetan J. Sandesara

Jt.Managing Director

Place : Mumbai

Date : 1st March 2013

Rajbhushan O. Dixit

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

Particulars	For the year ended 31 December 2012	For the year ended 31 December 2011
A) Cash flow from operating activities:		
Net Profit before taxation and exceptional items	(5,165,352,409)	1,240,591,544
Adjustments for		
- Depreciation/amortisation	2,600,495,883	2,570,995,353
- Interest expenses	4,123,282,071	2,704,308,412
Operating profit before working capital changes	1,558,425,546	6,515,895,309
Movement in working capital :		
Trade Receivables	3,759,156,787	(466,014,589)
Other Receivables	1,394,936,744	2,226,847,938
Inventories	1,388,537,887	(3,232,807,506)
Trade Payable (Current Liabilities)	25,100,352	9,414,698
Direct Tax	(1,446,328)	(393,831,480)
Cash flow Before Extra Ordinary Items	8,124,710,988	4,659,504,370
Extra-Ordinary Expenses	(12,187,269)	(962,270,850)
Net cash flow (used in)/from operating activities (A)	8,112,523,719	3,697,233,520
B) Cash flows from investing activities		
Purchase of fixed assets	(8,001,125,842)	(7,321,694,272)
Purchase of investments	(115,073,926)	(10,741,185)
Net cash flow used in investing activities (B)	(8,116,199,768)	(7,332,435,457)
C) Cash flows from financing activities		
Proceeds/(Repayment) of long term borrowings	2,678,296,314	3,270,312,964
Proceeds/(Repayment) of short term borrowings	1,407,120,372	1,839,285,023
Interest paid	(4,123,282,071)	(2,704,308,412)
Dividend & Dividend Tax	-	(133,936,795)
Net cash (used in)/from financing activities (C)	(37,865,385)	2,271,352,780
Net increase/(decrease) in cash & cash equivalents (A+B+C)	(41,541,434)	(1,363,849,157)
Cash and cash equivalents at the beginning of the year	219,872,188	1,583,721,345
Cash and cash equivalents at the end of the year	178,330,754	219,872,188
	(41,541,434)	(1,363,849,157)

Notes:

1. The Cash flow has been prepared under the Indirect Method as set out in Accounting Standard - 3 on Cash Flow statement.
2. Figures in bracket represent Cash Outflow.

**As per out report of even date attached
For H.S.Hathi & Co.**

Chartered Accountants,
Firm Regn.No.103596W

Hemant S. Hathi

Partner

Membership No. 037109

Place : Mumbai

Date : 1st March 2013

For and on behalf of the Board of Directors

Nitin J. Sandesara

Chairman & Managing Director

Chetan J. Sandesara

Jt.Managing Director

Rajbhushan O. Dixit

Director

FINANCIAL STATEMENTS

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 2011 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, 2011, 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, 2011 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, 2011;
 - 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 Regn No. 103596W

HEMANT S. HATHI
Partner
Membership No 37109

Place: Mumbai
Date: 29th February, 2012

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, 2011.

- (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 companies covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year was Rs. 396.31 crore and the year end balance of loans granted to such parties was Rs. 221.46 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 2011 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) According to the information and explanations given to us by the management, and on the basis of records examined by us, the company has defaulted in the repayment of the dues to financial institutions or banks or debenture holders. The amount outstanding and overdue for less than 60 days is Rs. 40.92 crores and for more than 60 days is Rs. 306.35 crores.
- (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.

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 Regn No. 103596W

HEMANT S. HATHI
Partner
Membership No 37109

Place: Mumbai
Date: 29th February, 2012

BALANCE SHEET AS ON 31ST DECEMBER, 2011

(Amount in Rs.)

Sr. No.	Particulars	Schedules	As at 31st Dec 2011	As at 31st Dec 2010
I	SOURCES OF FUNDS			
	1. Shareholders' Funds			
	a) Share Capital	1	267,873,590	267,873,590
	b) Reserves & Surplus	2	24,641,013,672	24,441,528,027
			24,908,887,262	24,709,401,617
	2. Loan Funds			
	a) Secured Loans	3	32,810,938,396	27,911,454,048
	b) Unsecured Loans	4	9,737,058,639	9,526,945,000
			42,547,997,035	37,438,399,048
	3. Deferred Tax Liability		3,148,201,369	3,118,200,000
	TOTAL FUNDS EMPLOYED		70,605,085,666	65,266,000,665
II	APPLICATION OF FUNDS			
	1. Fixed Assets	5		
	a) Gross Block		39,220,666,951	35,726,277,669
	Less : Depreciation		9,799,680,382	7,277,434,101
	Net Block		29,420,986,569	28,448,843,568
	Capital Work-In-Progress		16,455,063,139	12,627,758,148
			45,876,049,708	41,076,601,716
	2. Investments	6	3,650,032,593	3,639,291,408
	3. Current Assets, Loans and Advances			
	Current Assets	7		
	a) Inventories		10,087,911,756	6,855,104,250
	b) Sundry Debtors		7,230,116,749	6,764,102,160
	c) Cash and Bank Balances		219,872,186	1,583,721,345
			17,537,900,691	15,202,927,755
	Loans & Advances	8	4,268,516,621	6,495,364,558
			21,806,417,312	21,698,292,313
	Less :			
	Current Liabilities & Provisions			
	Current Liabilities	9	659,836,458	650,421,760
	Provisions	10	79,764,758	558,699,353
			739,601,216	1,209,121,113
	Net Current Assets		21,066,816,096	20,489,171,200
	4. Miscellaneous Expenditure	11	12,187,269	60,936,341
	TOTAL ASSETS		70,605,085,666	65,266,000,665
			-	-
	Notes on Accounts	15		

As per our Report of even date

**For H.S.Hathi & Co.
Chartered Accountants,
Firm Regn.No.103596W**

**Hemant S. Hathi
Partner
Membership No. 037109**

**Place : Mumbai
Date : 29th February 2012**

For and on behalf of Board

**NITIN J. SANDESARA
Chairman & Managing Director**

**CHETAN J. SANDESARA
Jt. Managing Director**

**R.B. DIXIT
Director**

**KIRTIDEV KHATRI
Company Secretary**

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2011

	As at 31st Dec 2011	(Amount in Rs.) As at 31st Dec 2010
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
500,000,000 Equity Shares of Rs. 1/- each (Previous year 500,000,000 Equity Shares of Rs. 1/- each)	500,000,000	500,000,000
ISSUED		
271,597,590 Equity Shares of Rs. 1/- each (Previous year 271,597,590 Equity Shares of Rs. 1/- each)	271,597,590	271,597,590
SUBSCRIBED		
271,597,590 Equity Shares of Rs. 1/- each (Previous year 271,597,590 Equity Shares of Rs. 1/- each)	271,597,590	271,597,590
PAID UP		
Fully Paid-Up 267,873,590 Equity Shares of Rs.1/- each (Previous year 267,873,590 Equity Shares of Rs. 1/- each)	267,873,590	267,873,590
TOTAL	267,873,590	267,873,590
SCHEDULE 2 - RESERVE & SURPLUS		
General Reserve		
As per Last Balance Sheet	11,656,928,373	10,458,701,584
Add : Transferred from Profit & Loss Account	92,342,788	1,198,226,789
Add : Transferred from Debenture Redemption Reserve	37,500,000	-
	11,786,771,161	11,656,928,373
Debenture Redemption Reserve		
As per Last Balance Sheet	321,428,571	214,285,714
Add : Transferred from Profit & Loss Account	107,142,857	107,142,857
Less : Transferred to General Reserve	37,500,000	-
	391,071,428	321,428,571
Share Premium Account	12,463,171,083	12,463,171,083
TOTAL	24,641,013,672	24,441,528,027
SCHEDULE 3 - SECURED LOANS		
Term Loans from Banks (Secured by way of charge on Fixed Assets of the company, on pari passu basis)	7,363,088,639	7,421,727,835
Redeemable Non-Convertible Debentures (Secured by way of first charge on Fixed Assets of the company, on pari passu basis)	3,113,525,521	2,850,000,000
External Commercial Borrowings		
a) ECB 2009 aggregating USD 90 million (Previous Year USD 90 Million) (Secured by way of first charge on Fixed Assets of the company, on pari passu basis)	4,794,300,000	4,032,900,000
b) ECB 2010 aggregating USD 147.6 million (Previous Year USD 128.5 million) (Secured by way of first charge on Fixed Assets of the company, on pari passu basis)	7,851,998,000	5,758,085,000
Working Capital Borrowings from Banks (Secured by way of first charge on Current Assets of the company, on pari passu basis)	9,688,026,236	7,848,741,213
TOTAL	32,810,938,396	27,911,454,048

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2011

Particulars	(Amount in Rs.)	
	As at 31st Dec 2011	As at 31st Dec 2010
SCHEDULE 4 -UNSECURED LOANS		
Foreign Currency Convertible Bonds		
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)	7,164,815,000	6,026,945,000
Short Term Loan from Banks	2,572,243,639	3,500,000,000
TOTAL	9,737,058,639	9,526,945,000

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2011

SCHEDULE 5 - FIXED ASSETS

(Amount in Rs.)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.01.2011	Additions/ Adjustments	As at 31.12.2011	As at 01.01.2011	Addition/ Deduction	As at 31.12.2011	As at 31.12.2011	As at 31.12.2010
Land & Development	341,490,057	-	341,490,057	-	-	-	341,490,057	341,490,057
Leasehold Land	648,448,287	-	648,448,287	-	-	-	648,448,287	648,448,287
Building	2,251,553,788	68,616,287	2,320,170,075	430,852,449	75,239,570	506,092,019	1,814,078,056	1,820,701,339
Plant & Machinery	32,038,311,030	3,375,151,458	35,413,462,488	6,714,379,297	2,413,270,996	9,127,650,293	26,285,812,195	25,323,931,733
Office Equipments & Furniture	305,386,221	39,856,491	345,242,712	88,999,773	18,960,576	107,960,349	237,282,363	216,386,448
Vehicles	141,088,286	10,765,046	151,853,332	43,202,582	14,775,139	57,977,721	93,875,611	97,885,704
Grand-Total	35,726,277,669	3,494,389,282	39,220,666,951	7,277,434,101	2,522,246,281	9,799,680,382	29,420,986,569	28,448,843,568
Previous Year (2010)	29,569,154,615	6,157,123,054	35,726,277,669	5,301,217,218	1,976,216,883	7,277,434,101	28,448,843,568	24,267,937,397
Capital Work-in-Progress (Including Capital Advances)							16,455,063,139	12,627,758,148

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2011

(Amount in Rs.)

Particulars	As at 31st Dec 2011	As at 31st Dec 2010
SCHEDULE 6 – INVESTMENTS		
(At cost/carrying amount unless otherwise stated)		
In Units of Mutual Funds	14,902,532	54,755,836
(Market Value Rs. 63 Lacs, Previous year Rs. 435 Lac)		
In Shares (Quoted)	30,435,921	40,885,092
(Market Value Rs. 59 Lacs, Previous year Rs. 270 Lac)		
In Shares (Un-quoted AT COST)	3,604,694,140	3,543,650,480
TOTAL	3,650,032,593	3,639,291,408
SCHEDULE 7 - CURRENT ASSETS		
a) Inventories		
Raw Materials	3,306,942,669	1,570,957,191
Stock-in-process	5,475,129,387	3,246,534,125
Stores & Spare Parts	162,417,112	149,263,858
Finished Stock	1,143,422,588	1,888,349,076
Sub-total	10,087,911,756	6,855,104,250
b) Sundry Debtors (Unsecured & considered good)		
Debtors outstanding for a period more than 6 months	29,164,873	26,261,274
Other Debtors	7,200,951,876	6,737,840,886
Sub-total	7,230,116,749	6,764,102,160
c) Cash & Bank Balances		
Cash in Hand	2,163,425	5,389,727
Bank Balance with Scheduled Banks		
In Current Account	53,713,306	905,842,325
In Fixed Deposits	163,995,455	672,489,293
Sub-total	219,872,186	1,583,721,345
TOTAL	17,537,900,691	15,202,927,755
SCHEDULE 8 - LOANS AND ADVANCES		
(Unsecured, Considered good)		
Deposits	42,952,372	40,382,024
Balance with Excise and other Government Authorities	122,308,665	111,857,579
Advances recoverable in cash or in kind or for value to be received	4,103,255,584	6,343,124,955
TOTAL	4,268,516,621	6,495,364,558
SCHEDULE 9 - CURRENT LIABILITIES		
Sundry Creditors	438,788,890	501,692,179
Other Liabilities	221,047,568	148,729,581
TOTAL	659,836,458	650,421,760

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 2011

	(Amount in Rs.)	
Particulars	As at 31st Dec 2011	As at 31st Dec 2010
SCHEDULE 10 - PROVISIONS		
Proposed Dividend	-	133,936,795
Other Provision	79,764,758	424,762,558
TOTAL	79,764,758	558,699,353
SCHEDULE 11 - MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
FCCB Issue Expenses	60,936,341	138,962,238
Add: Addition during the period	-	-
	60,936,341	138,962,238
Less: Written off during the period	48,749,072	78,025,897
TOTAL	12,187,269	60,936,341

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED
31ST DECEMBER 2011**

(Amount in Rs.)		
Particulars	For the year ended 31st Dec 2011	For the year ended 31st Dec 2010
SCHEDULE 12 - INCREASE/(DECREASE) IN STOCKS		
Stock in trade (At Beginning)		
Finished Goods	1,888,349,076	1,345,529,170
Stock in Process	3,246,534,125	2,856,122,141
Sub-total	<u>5,134,883,201</u>	<u>4,201,651,311</u>
Stock in trade (At Close)		
Finished Goods	1,143,422,588	1,888,349,076
Stock in Process	5,475,129,387	3,246,534,125
Sub-total	<u>6,618,551,975</u>	<u>5,134,883,201</u>
(Increase)/Decrease in Stocks	<u>(1,483,668,774)</u>	<u>(933,231,890)</u>
SCHEDULE 13 - CONSUMPTION OF RAW MATERIAL		
Opening Stock	1,720,221,049	1,442,373,310
Add: Purchases	<u>12,029,098,577</u>	<u>9,216,637,790</u>
	13,749,319,626	10,659,011,100
Less: Closing Stock	<u>3,469,359,781</u>	<u>1,720,221,049</u>
TOTAL	<u>10,279,959,845</u>	<u>8,938,790,051</u>
SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES		
Repair & Maintenance: Buildings	22,192,752	17,295,215
Repair & Maintenance: Plant & Machinery	88,519,879	70,734,658
Travelling & Conveyance	90,506,074	72,397,941
Telephone & Telex	31,557,297	25,718,124
Printing & Stationery	16,846,752	13,272,136
Postage, Telegram & Courier	22,256,477	17,346,022
Office Expenses	145,797,070	117,437,129
Selling & Distribution Expenses	525,847,711	418,052,533
TOTAL	<u>943,524,012</u>	<u>752,253,758</u>

SCHEDULE 15
NOTES FORMING PART OF THE ACCOUNTS

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 for 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 undiscovered 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

- Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st December, 2011 is Rs. 2786.52 Lacs [Previous year Rs. 3236.18 Lacs].
- Contingent liabilities not provided for on account of letters of credit as on 31st December, 2011 are of Rs. 4986.00 Lacs [Previous year Rs. 10,100.00 Lacs].
- Current income Tax is provided for the year as per provisions of the Minimum Alternate tax under the Income Tax Act, 1961.
- The company has provided for a deferred tax liability of Rs. 300.01 Lacs for the year ended December 31, 2011 on additional depreciation on fixed assets under Income Tax Act [Previous year Rs. 3,100.00 Lacs].
- Calculation of Earnings per share [EPS]

(Amount in Rs.)

	Particulars	2011	2010
1.	Net Profit after Tax	191,317,125	1,453,229,543
2.	Face value of each equity share	1.00	1.00
3.	Weighted average No. of Equity Shares	267,873,590	255,276,440
4.	Earning Per Share [EPS] Basic	0.71	5.69
5.	Weighted average No. of Equity Shares for Diluted EPS	302,503,000	289,905,850
6.	Diluted EPS	0.63	5.01

- Managerial Remuneration

(Rs. in Lacs)

Sr. No.	Particulars	2011	2010
1.	Salary (including Bonus)	119.91	105.62
2.	Contribution to Provident Fund	-	-
3.	Superannuation Fund	-	-
4.	Perquisites	-	-
Total		119.91	105.62

- 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

(Rs. in Lacs)

Sr. No.	Particulars	2011	2010
1.	FOB Value of Exports	51407.73	50350.86
2.	CIF Value of Imports	820.64	550.33
3.	Other Expenditure	948.87	294.01

- 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.
- The Ministry of Corporate Affairs, Government of India vide its General Notification No. S.O. 301(E) dated 8th February 2011 issued under section 211(3) of the Companies Act, 1956 has exempted certain classes of companies from disclosing certain information in their Profit and Loss Account. The Company being an 'Export Oriented Company' is entitled to the exemption. Accordingly, disclosures mandated by paragraphs 3(i)(a), 3(ii)(a), 3(ii)(b) and 3(ii)(d) of Part II, Schedule VI to the Companies Act, 1956 have not been provided.

11. Related Party Information

- A. Names of related parties and relationships.
- Details of Key Management Personnel
 - Mr. Nitin J. Sandesara Chairman and Managing Director
 - Mr. Chetan J. Sandesara Joint Managing Director
 - Enterprises in which significant influence is exercised by Key Management Personnel
 - Sterling SEZ and Infrastructure Limited
 - Sterling Oil Resources Limited
 - Sterling Port Limited
 - Atlantic Bluewater Services Pvt. Ltd.
 - British Oil & Gas Exploration Pvt. Ltd.

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

(Rs. in Lacs)

Sr. No.	Particulars	Nature of Transaction	2011	2010
a)	Transactions during the period			
1.	Mr. Nitin J. Sandesara	Remuneration	69.50	63.55

Sr. No.	Particulars	Nature of Transaction	2011	2010
2.	Mr. Chetan J. Sandesara	Remuneration	50.41	42.07
3.	Sterling SEZ and Infrastructure Ltd.	Loans & Advances	7612	12813
	Maximum amount outstanding		12813	22066
4.	Sterling Oil Resources Limited	Loans & Advances	9278	18153
	Maximum amount outstanding		18153	18153
5.	Sterling Port Limited	Loans & Advances	5256	8665
	Maximum amount outstanding		8665	8665
6.	Sterling SEZ and Infrastructure Ltd.	Investment	18500	14500
7.	Sterling Oil Resources Limited	Investment	500	11900
8.	Sterling Port Limited	Investment	17036	9036
9.	Atlantic Bluewater Services PL	Investment	5	---
10.	British Oil & Gas Exploration Private Limited	Investment	5	---

12. **Payment to Auditors**

(Rs. in Lacs)

Particulars	2011	2010
Audit Fees	4.00	4.00
Tax Audit Fees	1.50	1.50
Taxation and other matters	2.00	2.00
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.

As per our report of even date

For and on behalf of the Board

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

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

Hemant S. Hathi
Partner
Membership No. 037109

R. B. DIXIT
Director

KIRTIDEV J. KHATRI
Company Secretary

Place : Mumbai
Date : 29th February, 2012

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011

	For the Year Ended 31, December, 2011	(Rs. in Lakhs) For the Year Ended 31, December, 2010
(A) Cash Flow From Operating Activities		
Net Profit Before Tax and Extraordinary Items	12,405.92	27,962.78
Adjustment for:		
Depreciation and Amortisation	25,222.46	19,762.17
Finance Charges	27,043.08	23,047.05
Operating Profit before Working adjustments for	64,671.46	70,772.00
Trade Receivables	(4,660.15)	(8,451.74)
Other Receivables	20,781.54	(8,930.45)
Inventories	(32,328.08)	(12,110.80)
Trade Payable (Current Liabilities)	94.15	1,671.14
Direct Tax	(2,451.38)	(2,900.00)
Cashflow Before Extra Ordinary Items	46,107.55	40,050.15
Extra-Ordinary Expenses	(9,135.22)	(5,227.35)
Net Cash Flow from Operating Activities	36,972.34	34,822.80
(B) Cash Flow From Investing Activities		
Purchase of Fixed Assets	(73,216.94)	(90,482.44)
Purchase of Investments	(107.41)	(8,918.02)
Sale of Investments	-	-
Net Cash Used in Investing Activities	(73,324.35)	(99,400.45)
(C) Cash Flow From Financing Activities		
Proceeds from Issue of Share on Conversion of FCCB	-	176.77
Proceeds from Share Premium on Conversion of FCCB	-	26,831.04
Proceeds/(Repayment) from Long Term Borrowings	32,703.13	40,158.64
Proceeds/(Repayment) from working Capital Borrowings	18,392.85	24,835.46
Interest & Finance Charges	(27,043.08)	(23,047.05)
Dividend & Dividend Tax	(1,339.37)	(1,463.61)
Net Cash used in Financing Activities	22,713.53	67,491.25
Net Increase/(Decrease) in Cash & Cash Eq. (A+B+C)	(13,638.49)	2,913.60
Cash & Cash Equivalents (Opening)	15,837.21	12,923.61
Cash & Cash Equivalents (Closing)	2,198.72	15,837.21

We have Examined the attached Cash Flow Statement of Sterling Biotech Limited. For the year ended 31st December, 2011. The statement has been prepared by the company in accordance with the listing agreement of the stock exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of the even date to the members of the company.

As per our Report of even date

For **H.S.Hathi & Co.**
Chartered Accountants,
Firm Regn.No.103596W

Hemant S. Hathi
Partner
Membership No. 037109

Place : Mumbai
Date : 29th February 2012

For and on behalf of the Board

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

R.B. DIXIT
Director

KIRTIDEV KHATRI
Company Secretary

FINANCIAL STATEMENT

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 Regn No. 103596W

HEMANT S. HATHI
Partner
Membership No 37109

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 Rs. 488.84 crore and the year end balance of loans granted to such parties was Rs. 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.
- 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 Regn No. 103596W

HEMANT S. HATHI
Partner
Membership No 37109

Place: Mumbai
Date: 31st May, 2011

BALANCE SHEET
AS ON 31ST DECEMBER, 2010

(Amount in Rs.)

Sr. No.	Particulars	Schedule		As on 31 st Dec 2010	As on 31 st Dec 2009
I	SOURCES OF FUNDS				
	1. Shareholders' Funds :				
	a) Share Capital	1	267,873,590		250,196,564
	b) Reserves & Surplus	2	24,441,528,027		20,453,054,732
				24,709,401,617	20,703,251,296
	2. Loan Funds				
	a) Secured Loans	3	27,911,454,048		18,257,725,271
	b) Unsecured Loans	4	9,526,945,000		12,650,975,600
				37,438,399,048	30,908,700,871
	3. Deferred Tax Liability			3,118,200,000	2,808,200,000
	Total Funds Employed			65,266,000,665	54,420,152,167
II	APPLICATION OF FUNDS				
	1. Fixed Assets	5			
	a) Gross Block		34,097,959,842		29,569,154,615
	Less : Depreciation		7,277,434,101		5,301,217,218
	Net Block		26,820,525,741		24,267,937,397
	Capital Work-In-Progress		14,256,075,975		9,736,637,650
				41,076,601,716	34,004,575,047
	2. Investments	6		3,639,291,408	2,747,489,743
	3. Current Assets, Loans and Advances				
	Current Assets	7			
	a) Inventories		6,855,104,250		5,644,024,621
	b) Sundry Debtors		6,764,102,160		5,918,928,307
	c) Cash and Bank Balances		1,583,721,345		1,292,360,770
			15,202,927,755		12,855,313,698
	Loans & Advances	8	6,495,364,558		5,654,728,190
			21,698,292,313		18,510,041,888
	Less :				
	Current Liabilities & Provisions				
	Current Liabilities	9	650,421,760		483,308,014
	Provisions	10	558,699,353		497,608,735
			1,209,121,113		980,916,749
	Net Current Assets			20,489,171,200	17,529,125,139
	4. Miscellaneous Expenditure	11		60,936,341	138,962,238
	TOTAL ASSETS			65,266,000,665	54,420,152,167
	Notes on Accounts	15			

As per our report of even date

For and on behalf of the Board

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

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

Hemant S. Hathi
Partner
Membership No. 037109

R. B. DIXIT
Director

KIRTIDEV J. KHATRI
Company Secretary

Place : Mumbai
Date: 31st May, 2011

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2010

(Amount in Rs.)

Sr. No.	Particulars	Schedule	For the year ended 31 st Dec 2010	For the year ended 31 st Dec 2009
I	INCOME			
	Sales		16,165,784,871	14,381,729,275
	Other Income		106,376,483	88,641,507
	Total		16,272,161,354	14,470,370,782
II	EXPENDITURE			
	(Increase)/Decrease in Stocks	12	(933,231,890)	(1,713,010,853)
	Consumption of Raw Material	13	8,938,790,051	9,920,664,571
	Employee Cost		437,149,798	401,721,834
	Manufacturing & Other Expenses	14	752,253,758	717,203,005
	Interest and Finance Charges		2,304,705,129	1,494,377,062
	Depreciation		1,976,216,883	1,230,420,623
	Total		13,475,883,729	12,051,376,242
	PROFIT BEFORE EXTRAORDINARY ITEM & TAXATION		2,796,277,625	2,418,994,540
	Extraordinary Item		631,048,082	(620,512,252)
	PROFIT AFTER EXTRAORDINARY ITEM BUT BEFORE TAXATION		2,165,229,543	3,039,506,792
	Provision for current tax		402,000,000	350,000,000
	Provision for deferred tax		310,000,000	335,000,000
	Provision for Fringe Benefit Tax		-	1,250,000
	PROFIT FOR THE PERIOD		1,453,229,543	2,353,256,792
	Prior Year Adjustment		8,839,456	16,696,585
	PROFIT AVAILABLE FOR APPROPRIATION		1,462,068,999	2,369,953,377
	PROPOSED DIVIDEND		133,936,795	125,098,282
	DIVIDEND TAX		22,762,558	21,260,453
	TRANSFER TO DEBENTURE REDEMPTION RESERVE		107,142,857	107,142,857
	TRANSFER TO GENERAL RESERVE		1,198,226,789	2,116,451,785
	BASIC EARNINGS PER SHARE		5.69	9.47
	DILUTED EARNINGS PER SHARE		5.01	7.77
	(Refer Note No. B-5 of Schedule 15)			
	Notes on Accounts	15		

As per our report of even date

For and on behalf of the Board

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

NITIN J. SANDESARA
Chairman & Managing Director

CHETAN J. SANDESARA
Jt. Managing Director

Hemant S. Hathi
Partner
Membership No. 037109

R. B. DIXIT
Director

KIRTIDEV J. KHATRI
Company Secretary

Place : Mumbai
Date : 31st May, 2011

SCHEDULESFORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010

(Amount in Rs.)

Particulars		As on 31st Dec 2010	As on 31st Dec 2009
SCHEDULE 1 - SHARE CAPITAL			
AUTHORISED			
500,000,000 Equity Shares of Rs.1/- each		500,000,000	500,000,000
(Previous year 500,000,000 Equity Shares of Rs. 1/- each)			
ISSUED			
271,597,590 Equity Shares of Rs. 1/- each		271,597,590	253,920,564
(Previous year 253,920,564 Equity Shares of Rs. 1/- each)			
SUBSCRIBED			
271,597,590 Equity Shares of Rs. 1/- each		271,597,590	253,920,564
(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		267,873,590	250,196,564
(Previous year 250,196,564 Equity Shares of Rs. 1/- each)			
TOTAL		267,873,590	250,196,564
SCHEDULE 2 - RESERVE & SURPLUS			
General Reserve			
As per Last Balance Sheet	10,458,701,584		8,342,249,799
Add: Transferred from Profit & Loss Account	1,198,226,789		2,116,451,785
		11,656,928,373	10,458,701,584
Debenture Redemption Reserve		321,428,571	214,285,714
Share Premium Account		12,463,171,083	9,780,067,434
TOTAL		24,441,528,027	20,453,054,732
SCHEDULE 3 - SECURED LOANS			
Term Loans from Banks		7,421,727,835	5,691,330,196
(Secured by way of charge on Fixed Assets of the company, on pari passu basis)			
Redeemable Non-Convertible Debentures		2,850,000,000	3,000,000,000
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis and are redeemable in 20 equal Quarterly installments commencing from November, 2010)			
External Commercial Borrowings			
a) ECB 2009 aggregating US \$ 90 million (P. Y. US \$ 90 Million)		4,032,900,000	4,201,200,000
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)			
b) ECB 2010 aggregating US \$ 128.5 million (P. Y. Nil)		5,758,085,000	-
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)			
Working Capital Borrowings from Banks		7,848,741,213	5,365,195,075
(Secured by way of first charge on Current Assets of the company, on pari passu basis)			
TOTAL		27,911,454,048	18,257,725,271

SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010

(Amount in Rs.)

Particulars		As on 31st Dec 2010	As on 31st Dec 2009
SCHEDULE 4 - UNSECURED LOANS			
Foreign Currency Convertible Bonds			
- 0.50 % Convertible Bonds due 2010		-	4,372,515,600
(Convertible into Ordinary shares or GDRs representing Ordinary Shares)			
(P. Y.: US \$ 93.67 Million)			
- Zero Coupon Convertible Bonds due 2012		6,026,945,000	6,278,460,000
Aggregating to US \$ 134.50 Million			
Convertible into Ordinary shares or GDRs representing Ordinary Shares)			
(P.Y.: US \$ 134.5 Million)			
Short Term Loan from Banks		3,500,000,000	2,000,000,000
TOTAL		9,526,945,000	12,650,975,600

SCHEDULES
FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010

SCHEDULE 5 - FIXED ASSETS				(Amount in Rs.)				
Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.01.2010	Additions/ Adjustments	As at 31.12.2010	As at 01.01.2010	Addition during the year	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
Land & Development	340,165,957	1,324,100	341,490,057	-	-	-	341,490,057	340,165,957
Leasehold Land	-	648,448,287	648,448,287	-	-	-	648,448,287	-
Building	2,093,662,962	157,890,826	2,251,553,788	358,517,044	72,335,405	430,852,449	1,820,701,339	1,735,145,918
Plant & Machinery	26,729,946,175	5,308,364,855	32,038,311,030	4,841,932,921	1,872,446,376	6,714,379,297	25,323,931,733	21,888,013,254
Office Equipments & Furniture	279,715,916	25,670,305	305,386,221	70,803,120	18,196,653	88,999,773	216,386,448	208,912,796
Vehicles	125,663,605	15,424,681	141,088,286	29,964,133	13,238,449	43,202,582	97,885,704	95,699,472
Grand-Total	29,569,154,615	6,157,123,054	35,726,277,669	5,301,217,218	1,976,216,883	7,277,434,101	28,448,843,568	24,267,937,397
Previous Year	27,098,549,842	2,470,604,773	29,569,154,615	4,070,796,595	1,230,420,623	5,301,217,218	24,267,937,397	23,027,753,247

Capital Work-in-Progress (Including
Capital Advances)

14,279,309,8619,736,637,650

SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010

(Amount in Rs.)

Particulars		As on 31st Dec 2010	As on 31st Dec 2009
SCHEDULE 6 - INVESTMENTS			
LONG TERM INVESTMENTS (AT COST, FULLY PAID)			
In Units of Mutual Funds		54,755,836	63,723,052
(Market Value Rs. 435 Lacs, Previous year Rs. 518 Lac)			
In Shares (Quoted)		40,885,092	43,716,211
(Market Value Rs. 270 Lacs, Previous year Rs. 276 Lac)			
In Shares (Un-quoted AT COST)		3,543,650,480	2,640,050,480
TOTAL		3,639,291,408	2,747,489,743
SCHEDULE 7 - CURRENT ASSETS			
a) Inventories			
Raw Materials	1,570,957,191		1,312,912,189
Stock-in-process	3,246,531,125		2,856,122,141
Stores & Spare Parts	149,263,858		129,461,121
Finished Stock	1,888,349,076		1,345,529,170
		6,855,104,250	5,644,024,621
b) Sundry Debtors (Unsecured & considered good)			
Debtors outstanding for a period more than 6 months	26,261,274		28,085,126
Other Debtors	6,737,840,886		5,890,843,181
		6,764,102,160	5,918,928,307
c) Cash & Bank Balances			
Cash in Hand		5,389,727	1,841,890
Bank Balance with Scheduled Banks			
In Current Account		905,842,325	753,887,744
In Fixed Deposits		672,489,293	536,631,136
		1,583,721,345	1,292,360,770
TOTAL		15,202,927,755	12,855,313,698

SCHEDULES

FORMING PART OF THE BALANCE SHEET AS ON 31ST DECEMBER, 2010

(Amount in Rs.)

Particulars		As on 31 st Dec 2010	As on 31 st Dec 2009
SCHEDULE 8 - LOANS AND ADVANCES			
(Unsecured, Considered good)			
Deposits		40,382,024	41,305,895
Balance with Excise and other Government Authorities		261,857,579	122,555,049
Advances recoverable in cash or in kind or for value to be received		6,193,124,955	5,490,867,246
TOTAL		6,495,364,558	5,654,728,190
SCHEDULE 9 - CURRENT LIABILITIES			
Sundry Creditors		501,692,179	326,759,728
Other Liabilities		148,729,581	156,548,286
TOTAL		650,421,760	483,308,014
SCHEDULE 10 - PROVISIONS			
Proposed Dividend		133,936,795	125,098,282
Dividend Tax		22,762,558	21,260,453
Provision for Taxation		402,000,000	351,250,000
TOTAL		558,699,353	497,608,735
SCHEDULE 11 - MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
FCCB Issue Expenses		138,962,238	240,031,001
Add: Addition during the period		-	-
		138,962,238	240,031,001
Less: Written off during the period		78,025,897	101,068,763
TOTAL		60,936,341	138,962,238

SCHEDULES

FORMING PART OF THE PROFIT & LOSS ACCOUNT AS ON 31ST DECEMBER, 2010

(Amount in Rs.)

Particulars		For the year ended 31 st Dec. 2010	For the year ended 31 st Dec. 2010
SCHEDULE 12 - INCREASE/(DECREASE) IN STOCKS			
Stock in trade (At Close)			
Finished Goods		1,888,349,076	1,345,529,170
Stock in Process		3,246,534,125	2,856,122,141
		5,134,883,201	4,201,651,311
Stock in trade (At Commencement)			
Finished Goods		1,345,529,170	749,311,680
Stock in Process		2,856,122,141	1,739,328,778
		4,201,651,311	2,488,640,458
INCREASE/(DECREASE) IN STOCKS		(933,231,890)	(1,713,010,853)
SCHEDULE 13 - MATERIAL COST			
Opening Stock	1,442,373,310		958,675,405
Add: Purchases	6,966,174,974		8,258,634,187
		8,408,548,284	9,217,309,592
Power & Fuel		2,250,462,816	2,145,728,289
Less: Closing Stock		1,720,221,049	1,442,373,310
TOTAL		8,938,790,051	9,920,664,571
SCHEDULE 14 - MANUFACTURING AND OTHER EXPENSES			
Repairs and maintenance to Buildings		17,295,215	16,488,127
Repairs and maintenance to Plant & Machinery		70,734,658	67,442,726
Traveling & Conveyance		72,397,941	68,929,336
Telephone & Telex		25,718,124	24,228,982
Printing & Stationery		13,272,136	12,693,198
Postage, Telegram & Courier		17,346,022	16,528,785
Office Expenses		117,437,129	111,911,710
Selling & Distribution Expenses		418,052,533	398,980,141
TOTAL		752,253,758	717,203,005

SCHEDULE 15

NOTES FORMING PART OF THE ACCOUNTS

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 for 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 undiscovered 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.
17. Extraordinary items includes right off of FCCB issue expenses, Redemption, Premium of FCCB, Product development cost etc.

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 Rs. 3236.18 Lacs [Previous year Rs. 4643.52 Lacs].
2. Contingent liabilities not provided for on account of letters of credit as on 31st December, 2010 are of Rs. 10100.00 Lacs [Previous year Rs. 4986.27 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 Rs. 3100 Lacs for the year ended December 31, 2010 on additional depreciation on fixed assets under Income Tax Act [Previous year Rs. 3350 Lacs].

5. Calculation of Earnings per share [EPS]

(Rs. in Lacs)

Particulars	2010	2009
1. Net Profit after Tax	1,453,229,543	2,353,256,792
2. Face value of each equity share	1.00	1.00
3. Weighted average No. of Equity Shares	255,276,440	248,381,215
4. Earning Per Share [EPS] Basic	5.69	9.47
5. Weighted average No. of Equity Shares for Diluted EPS	289,905,850	302,861,358
6. Diluted EPS	5.01	7.77

6. Managerial Remuneration

(Rs. in Lacs)

Particulars	2010	2009
Perquisites	105.62	60.23
Contribution to Provident Fund	-	0.00
Superannuation Fund	-	0.00
Perquisites	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

(Rs. in Lacs)

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, 2009 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

(Rs. in Lacs)

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	22066
Maximum Amount Outstanding		22066	22066
2) Sterling Oil Resources Limited	Loans & Advances	18153	11564
Maximum Amount Outstanding		18153	19800
3) Sterling Port Limited	Loans & Advances	8665	NIL
Maximum Amount Outstanding		8665	NIL
4) Sterling SEZ and Infrastructure Limited	Investment	14500	14500
5) Sterling Oil Resources Limited	Investment	11900	11900
6) Sterling Port Limited	Investment	36	-
7) Sterling Port Limited	Share Application Money	9000	-

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

(Rs. in Lacs)

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	22066
Maximum Amount Outstanding		22066	22066
2) Sterling Oil Resources Limited	Loans & Advances	18153	11564
Maximum Amount Outstanding		18153	19800
3) Sterling Port Limited	Loans & Advances	8665	NIL
Maximum Amount Outstanding		8665	NIL
4) Sterling SEZ and Infrastructure Limited	Investment	14500	14500
5) Sterling Oil Resources Limited	Investment	11900	11900

Particulars	Nature of transaction	2010	2009
6) Sterling Port Limited	Investment	36	-
7) Sterling Port Limited	Share Application Money	9000	-

12. Payment to Auditors

(Rs. in Lacs)

Particulars	2010	2009
Audit Fees	4.00	4.00
Tax Audit Fees	1.50	1.50
Taxation and other matters	2.00	2.00
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.

As per our report of even 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

For and on behalf of the Board

NITIN J. SANDESARA
Chairman & Managing Director

R. B. DIXIT
Director

CHETAN J. SANDESARA
Jt. Managing Director

KIRTIDEV J. KHATRI
Company Secretary

CASH FLOW STATEMENTS
For the Year Ended 31st December, 2010

	(Rs. in Lakhs)	
Particulars	For the Year Ended 31 st Dec. 2010	For the year Ended 31 st Dec. 2009
(A) Cash Flow From Operating Activities		
Net Profit Before Tax and Extraordinary Items	27,962.78	24,189.95
<i>Adjustment for:</i>		
Depreciation and Amortization	19,762.17	12,304.21
Interest & Finance Charges	23,047.05	14,943.77
Operating Profit before Working adjustments for	70,772.00	51,437.92
Trade Receivables	(8,451.74)	(17,911.84)
Other Receivables	(8,930.45)	(9,145.28)
Inventories	(12,110.80)	(21,967.09)
Trade Payable (Current Liabilities)	1,671.14	271.69
Direct Tax	(2,900.00)	(2,817.50)
Cashflow Before Extra Ordinary Items	40,050.15	(132.11)
Extra-Ordinary Expenses	(5,227.35)	-
Share/FCCB Issue Expenditure	-	-
Net Cash Flow from Operating Activities	34,822.81	(132.11)
(B) Cash Flow From Investing Activities		
Purchase of Fixed Assets	(90,482.44)	(45,270.63)
Purchase of Investments	(8,918.02)	-
Sale of Investments	-	3,145.60
Net Cash Used in Investing Activities	(99,400.45)	(42,125.03)
(C) Cash Flow From Financing Activities		
Proceeds from Issue of Share on Conversion of FCCB	176.77	63.99
Proceeds from Share Premium on Conversion of FCCB	26,831.04	11,934.96
Proceeds/(Repayment) from Long Term Borrowings	64,994.11	49,349.83
Interest & Finance Charges	(23,047.05)	(14,943.77)
Dividend & Dividend Tax	(1,463.61)	(1,457.96)
Net Cash used in Financing Activities	67,491.25	44,947.05
Net Increase/(Decrease) in Cash & Cash Eq. (A+B+C)	2,913.61	2,689.91
Cash & Cash Equivalents (Opening)	12,923.61	10,233.70
Cash & Cash Equivalents (Closing)	15,837.22	12,923.61

We have examined the attached Cash Flow Statement of Sterling Biotech Limited. for the year ended 31st December, 2010. The statement has been prepared by the company in accordance with the listing agreement of the stock exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of the even date to the members of the company.

As per our report of even 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

For and on behalf of the Board

NITIN J. SANDESARA
Chairman & Managing Director

R. B. DIXIT
Director

CHETAN J. SANDESARA
Jt. Managing Director

KIRTIDEV J. KHATRI
Company Secretary

REGISTERED AND HEAD OFFICE OF THE COMPANY

Sterling Biotech Limited

43, Atlanta Building
Nariman Point
Mumbai - 400 021
India

REGISTRAR

Madison Pacific Trust Limited

701A, 7th Floor
Tower One, Admiralty Centre
18 Harcourt Road
Hong Kong

TRUSTEE

Madison Pacific Trust Limited

701A, 7th Floor
Tower One, Admiralty Centre
18 Harcourt Road
Hong Kong

PRINCIPAL PAYING AND CONVERSION AGENT AND TRANSFER AGENT

Madison Pacific Trust Limited

701A, 7th Floor
Tower One, Admiralty Centre
18 Harcourt Road
Hong Kong

LEGAL ADVISORS

To the Company

As to English law

Jones Day

#14-01/02 Samsung Hub
3 Church Street
Singapore 049483

To the Company

As to Indian law

Luthra & Luthra Law Offices

Indiabulls Finance Center, Tower 2 Unit A2
20th Floor, Elphinstone Road
Senapati Bapat Marg
Mumbai - 400 013
India

AUDITORS OF THE COMPANY

H.S. Hathi & Co.

20B Khatau Building
Alkesh Dinesh Modi Marg Fort
Mumbai - 400 001
India