



UNIPHOS ENTERPRISES LIMITED

Our Company was incorporated in India on May 29, 1969 as United Phosphorous Private Limited under the Companies Act, 1956. The name was changed to United Phosphorus Private Limited on August 22, 1983 whereby the spelling of “Phosphorous” was amended to “Phosphorus”. Subsequently, the name was changed to United Phosphorus Limited on February 3, 1986 pursuant to a fresh certificate of incorporation consequent to change of name. The name of our Company was then changed to “Uniphos Limited” on November 25, 1992 and was changed back to “United Phosphorus Limited” on March 30, 1993. On October 8, 2003, pursuant to a scheme of arrangement, the name of our Company was further changed to Uniphos Enterprises Limited with Corporate Identification Number L24219GJ1969PLC001588. For details of change of name of our Company, please see the chapter “History and Other Corporate Matters” on page 26 of this Draft Letter of Offer.

Registered Office: 11, GIDC, Vapi, Dist. Valsad- 396195, Gujarat, India, **Tel:** +91 260 240 0717; **Fax:** +91 260 240 1823

Corporate Office: Uniphos House, C. D. Marg, Khar (West) Mumbai – 400 052, Maharashtra, India

Tel: +91 22 2646 8000; **Fax:** +91 22 2604 1010

Contact Person: Mr. K. M. Thacker, Company Secretary and Compliance Officer.

E-mail: thackerkm@uniphos.com; **Website:** www.uelonline.com

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF OUR COMPANY ONLY

ISSUE OF [●] EQUITY SHARES WITH A FACE VALUE OF ₹ 2/- EACH AT A PREMIUM OF ₹ [●] PER EQUITY SHARE (“RIGHTS ISSUE EQUITY SHARES”) FOR AN AMOUNT AGGREGATING ₹ 7,500.00 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF UNIPHOS ENTERPRISES LIMITED (“COMPANY”) IN THE RATIO OF [●] EQUITY SHARE(S) FOR EVERY [●] FULLY PAID-UP EQUITY SHARE(S) HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON [●], 2011 (THE “ISSUE”). FOR FURTHER DETAILS, PLEASE SEE “TERMS OF THE ISSUE” ON PAGE 74 OF THIS DRAFT LETTER OF OFFER.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of issuer and the offer including the risks involved. The securities being offered in the Issue have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to the “Risk Factors” commencing on page ix of this Draft Letter of Offer before making an investment in the Issue.**

ISSUER’S ABSOLUTE RESPONSIBILITY

The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to the issuer and the issue, which is material in the context of the issue, that the information contained in the Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

Our existing Equity Shares are listed on the Bombay Stock Exchange Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”). We have received “in-principle” approvals from BSE and the NSE for listing the Equity Shares arising from the Issue vide their letter dated [●] and [●], respectively. For the purposes of the Rights Issue, the Designated Stock Exchange is BSE.

LEAD MANAGER TO THE ISSUE

KEYNOTE

CORPORATE SERVICES LTD

KEYNOTE CORPORATE SERVICES LIMITED

4th Floor, Balmer Lawrie Building, 5, J. N. Heredia Marg,
Ballard Estate, Mumbai – 400 001,
Maharashtra, India.

Tel: +91 22 3026 6000-3

Fax: +91 22 2269 4323

Website: www.keynoteindia.net

E-mail: mbd@keynoteindia.net

SEBI Reg. No: INM 000003606

AMBI No.: AMBI/ 040

Contact Person: Ms. Swati Sinha / Mr. Chintan Hefa

REGISTRAR TO THE ISSUE



Sharepro Services (I) Pvt. Ltd.

SHAREPRO SERVICES (INDIA) PRIVATE LIMITED

13AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road, Sakinaka, Andheri (East)
Mumbai – 400 072, Maharashtra, India.

Tel: +91 22 6772 0300

Fax: +91 22 2859 1568

Website: www.shareproservices.com

E-mail: abrahamkg@shareproservices.co

Registration Number: INR000001476

Contact Person: Mr. Abraham K.G.

ISSUE SCHEDULE

| ISSUE OPENS ON | LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS | ISSUE CLOSES ON |
|----------------|---|-----------------|
| [●] | [●] | [●] |

TABLE OF CONTENTS

| TITLE | PAGE NO |
|--|------------|
| SECTION I – GENERAL | i |
| DEFINITIONS AND ABBREVIATIONS | i |
| NOTICE TO OVERSEAS SHAREHOLDERS | v |
| PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA | vii |
| FORWARD LOOKING STATEMENTS | viii |
| SECTION II - RISK FACTORS | ix |
| RISK FACTORS | ix |
| PROMINENT NOTES | xvi |
| SECTION III – INTRODUCTION | 1 |
| THE ISSUE | 1 |
| SUMMARY FINANCIAL INFORMATION | 2 |
| GENERAL INFORMATION | 6 |
| CAPITAL STRUCTURE | 10 |
| OBJECTS OF THE ISSUE | 16 |
| STATEMENT OF TAX BENEFITS | 19 |
| SECTION IV – ABOUT US | 26 |
| HISTORY AND OTHER CORPORATE MATTERS | 26 |
| MANAGEMENT | 28 |
| KEY INDUSTRY REGULATIONS | 34 |
| SECTION V – FINANCIAL INFORMATION | 35 |
| REPORT OF AUDITORS | 36 |
| SIGNIFICANT ACCOUNTING POLICIES | 42 |
| CERTAIN OTHER FINANCIAL INFORMATION | 45 |
| PRINCIPAL TERMS OF THE LOANS AND ASSETS CHARGED AS SECURITY | 46 |
| MARKET PRICE INFORMATION | 47 |
| ACCOUNTING RATIOS AND CAPITALISATION STATEMENT | 49 |
| SECTION VI – LEGAL AND OTHER INFORMATION | 51 |
| OUTSTANDING LITIGATIONS AND DEFAULTS | 51 |
| GOVERNMENT APPROVALS | 65 |
| OTHER REGULATORY AND STATUTORY DISCLOSURES | 66 |
| SECTION VII – OFFERING INFORMATION | 74 |
| TERMS OF THE ISSUE | 74 |
| SECTION VIII – STATUTORY AND OTHER INFORMATION | 101 |
| MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION | 102 |
| SECTION IX – DECLARATION | 104 |

SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded herein below shall have the same meaning as stated in this Section.

Conventional/ General Terms

| Term | Description |
|---|--|
| Act/ Companies Act | The Companies Act, 1956 and amendments thereto. |
| Depositories Act | The Depositories Act, 1996 and amendments thereto. |
| EPS | The Earnings Per Share. |
| IT Act | The Income Tax Act, 1961 and amendments thereto. |
| Indian GAAP | Generally Accepted Accounting Principles In India. |
| NAV | Net Asset Value. |
| PAT | Profit After Tax. |
| SEBI Act, 1992 | Securities and Exchange Board of India Act, 1992 and amendments thereto. |
| SEBI Regulations/ SEBI ICDR Regulations | The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments thereto. |
| Securities Act | The United States Securities Act of 1933, as amended. |
| Takeover Code | The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereto. |
| Wealth Tax Act | The Wealth Tax Act, 1957 and amendments thereto. |

Issue related terms

| Term | Description |
|---|--|
| Abridged Letter of Offer | The abridged letter of offer to be sent to our Equity Shareholders as on the Record Date with respect to this Issue in accordance with SEBI Regulations |
| Allotment | Unless the context requires, the allotment of Rights Issue Equity Shares pursuant to the Issue |
| Allottees | Persons to whom Rights Issue Equity Shares are issued pursuant to the Issue |
| Application Supported by Blocked Amount/ ASBA | The application (whether physical or electronic) used by an Investor to make an application authorizing the SCSB to block the amount payable on application in their specified bank account |
| ASBA Investor | An Equity Shareholder, who intends to apply through ASBA process |
| Bankers to the Issue | [●] |
| Composite Application Form / CAF | The form used by an Investor to make an application for the Allotment of Equity Shares in the Issue |
| Consolidated Certificate | In case of holding of Equity Shares in physical form, the certificate that our Company would issue for the Equity Shares Allotted to one folio |
| Controlling Branches of the SCSBs | Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html |
| Designated Stock Exchange | Bombay Stock Exchange Limited. |
| Draft Letter of Offer | Draft Letter of Offer of our Company filed with SEBI on December 31, 2010 for the Issue. |
| ECS | Electronic Clearing Services. |
| Equity Shareholder / | Means a holder of Equity Shares. |

| Term | Description |
|---|--|
| Shareholder | |
| Financial Year/ Fiscal/ Fiscal Year/ FY | Any period of twelve months ended March 31 of that particular year, unless otherwise stated. |
| Rights Issue/ Issue | Issue of [●] Equity Shares with a face value of ₹ 2 each at a premium of ₹ [●] per Equity Share for an amount not exceeding ₹ 7,500.00 lacs on a rights basis to the existing Equity Shareholders in the ratio of [●] Equity Share(s) for every [●] fully paid-up Equity Share(s) held by the existing Equity Shareholders on the Record Date. The issue price is [●] times the face value of the Equity Shares. |
| Investor(s) | Equity Shareholders as on Record Date and/or Renounees applying in the Issue. |
| Issue Closing Date | [●] |
| Issue Opening Date | [●] |
| Issue Price | ₹ [●] per Equity Share. |
| Issue Proceeds | The proceeds of the Issue that are available to our Company |
| Issue Size | The issue of [●] Equity Shares not exceeding ₹ 7,500.00 lacs |
| Lead Manager | Keynote Corporate Services Limited |
| Letter of Offer | Means the letter of offer filed with the Stock Exchanges after incorporating SEBI comments on this Draft Letter of Offer. |
| Listing Agreement | The listing agreements entered into between our Company and the Stock Exchanges |
| MICR | Magnetic Ink Character Recognition. |
| Net Proceeds | The Issue Proceeds less the Issue related expenses. For further details, please see the “Objects of the Issue” on page 16 of this Draft Letter of Offer |
| Promoters | The Promoters of our Company, being Mr. Rajnikant Shroff, Ms. Sandra Shroff, Mr. Jaidev Shroff, Mr. Vikram Shroff |
| Promoter Group | Unless the context requires otherwise, the entities forming part of our promoter group in accordance with the SEBI Regulations. |
| Record Date | [●] |
| Refund through electronic transfer of funds | Refunds through ECS, Direct Credit, RTGS or NEFT, as applicable. |
| Registrar of Companies/ RoC | The Registrar of Companies, Gujarat located at ROC Bhavan, Opp Rupal Park, Near Ankul Bus-Stand, Naranpura, Ahmedabad-380 013, Gujarat |
| Registrar to the Issue | Sharepro Services (India) Private Limited |
| Renounees | Any persons who have acquired Rights Entitlements from the Equity Shareholders. |
| Rights Entitlement | [●] Equity Share(s) for every [●] fully paid-up Equity Share(s) held on the Record Date. |
| Rights Issue Equity Shares | Equity Share(s) issued to shareholders in this Issue |
| RTGS | Real Time Gross Settlement. |
| SAF(s) | Split Application Form(s) |
| SCSB(s) | A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCSBs is available at http://www.sebi.gov.in . |
| Share Certificate | The certificate in respect of the Equity Shares allotted to a folio with a split performance. |
| Stock Exchange(s) | BSE and NSE where the Equity Shares are presently listed and traded. |

Company Related Terms

| Term | Description |
|--|---|
| “We”, “us”, “our”, “our Company”, “the Issuer”, “UEL” or “our Company” | Unless the context requires, refers to Uniphos Enterprises Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at 11, GIDC, Vapi, Dist. Valsad – 396195, Gujarat, India |
| Articles/ Articles of Association | The articles of association of our Company. |
| Auditor | M/s S. V. Ghatalia & Associates, our statutory auditors. |
| Board/ Board of Directors | Board of Directors of our Company including any committees thereof. |
| Corporate Office | Uniphos House, C. D. Marg, Khar (West), Mumbai – 400 052, Maharashtra, India |
| Equity Share(s) or Share(s) | Equity shares of our Company having a face value of ₹ 2 unless otherwise specified in the context thereof. |
| Memorandum/ Memorandum of Association | The memorandum of association of our Company. |
| Scheme | Scheme of Arrangement and Re-structuring in the nature of a de-merger approved by the Hon’ble High Court of Gujarat at Ahmedabad on August 28, 2003 pursuant to which all the assets and liabilities pertaining to the manufacturing division of United Phosphorus Limited (“UPL”) were transferred to Search Chem Industries Limited (“SCIL”). UPL was renamed as Uniphos Enterprises Limited and SCIL was renamed as United Phosphorus Limited. |

Abbreviations

| Term | Description |
|--------|---|
| ADR | American Depository Receipts |
| AGM | Annual General Meeting. |
| AS | Notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended) |
| BSE | Bombay Stock Exchange Limited. |
| CDSL | Central Depository Services (India) Limited. |
| CEPS | Cash Earnings Per Share. |
| DP | Depository Participant. |
| DR | Depository Receipts |
| EGM | Extraordinary General Meeting |
| FDI | Foreign Direct Investment. |
| FEMA | Foreign Exchange Management Act, 1999. |
| FII(s) | Foreign Institutional Investors registered with SEBI under applicable laws. |
| FIPB | Foreign Investment Promotion Board. |
| GDR | Global Depository Receipt |
| HUF | Hindu Undivided Family. |
| ISIN | International Securities Identification Number |
| NR | Non Resident. |
| NRI(s) | Non Resident Indian(s). |
| NSDL | National Securities Depository Limited. |
| NSE | National Stock Exchange of India Limited. |

| Term | Description |
|------------------|---|
| OCB | Overseas Corporate Body. |
| PAN | Permanent Account Number. |
| RBI | Reserve Bank of India. |
| Re./₹/Rupees/INR | Indian Rupees. |
| SEBI | Securities and Exchange Board of India. |

NOTICE TO OVERSEAS SHAREHOLDERS

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with the SEBI for its observations. Accordingly, the Rights Issue Equity Shares may not be offered or sold, directly or indirectly, and the Draft Letter of Offer may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of the Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, the Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of the Draft Letter of Offer should not, in connection with the issue of the Rights Issue Equity Shares or the Rights Entitlements, distribute or send the Draft Letter of Offer in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. A shareholder shall not renounce his entitlement to any person resident in the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

Neither the delivery of the Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to the date of the Draft Letter of Offer.

The Abridged Letter of Offer and the CAF shall be sent to all our shareholders at their Indian addresses. We have requested those shareholders resident outside India, whose Indian address is not available on our records, to provide their Indian addresses to us, the depository participant, in case they hold shares in dematerialized form or our registrar, in case they hold physical shares. Those shareholders who do not update our records with their Indian address or the address of their duly authorized representative, prior to the date on which we shall propose to dispatch the Letter of Offer and the CAF, shall not be sent the Letter of Offer and the CAF.

NO OFFER IN THE UNITED STATES

The rights and the securities of our Company have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the "United States" or "U.S."), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in the Draft Letter of Offer are being offered in India, but not in the United States. The offering to which the Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Rights Issue Equity Shares or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said Rights Issue Equity Shares or rights. Accordingly, the Draft Letter of Offer or Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time.

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

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

Notice to GDR holders

Our GDRs are listed on the Luxembourg Stock Exchange. The depository for the Equity Shares underlying the GDRs will deal with the rights entitlements corresponding to the GDRs in the manner specified in the offering circular and the deposit agreement, entered for the issuance of the GDRs.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

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

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

All financial numbers are represented in Rupees (₹) and ₹ in lacs.

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

FORWARD LOOKING STATEMENTS

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

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- General economic conditions
- Changes in political and social conditions in India
- The outcome of legal or regulatory proceedings that we are or might become involved in
- Contingent liabilities, environmental problems and uninsured losses
- Developments affecting the Indian economy
- Uncertainty in global financial markets

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

SECTION II - RISK FACTORS

RISK FACTORS

An investment in equity and equity related securities involves a high degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing all or a part of their investment. You should carefully consider all of the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment. In making an investment decision, prospective investor must rely on their own examination of our Company and terms of the Issue, including the merits and risk involved. If any of the following risks actually occur, our business, financial condition, results of operations and prospects could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment. The risk and uncertainties described below are not the only risks that we currently face. Additional risk and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition. You should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries.

This Draft Letter of Offer may also contain forward-looking statements that involve risks and uncertainties. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Letter of Offer. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

The risk factors are classified under the parameters "Risks in relation to the issue and objects", "Risks in relation to the company and the ongoing business" and "Material litigations with impact on the company", in accordance with the requirements of the SEBI Regulations:

Internal Risk Factors

1. We are involved in a number of legal proceedings which, if determined against us, could adversely affect our business and financial condition.

We are party to certain legal proceedings. No assurances can be given as to whether these matters will be settled in our favour or against us. A summary of the material outstanding legal proceedings is set forth below:

Litigations involving our Company

| Type of cases | Number of cases | Nature of dispute |
|----------------|-----------------|--|
| Consumer Cases | 5 | Cases with respect to quality of seeds. |
| Tax Cases | 18 | Disallowances of certain deductions and rejection of miscellaneous expenses. |

The contingent liability as of March 31, 2010 for litigations is ₹ 2,764.28 lacs.

Some of the Directors of our Company are party to certain pending litigations instituted under the Insecticides Act, 1968 and were named as respondents in the litigations consequent to their directorship in our Company. The said litigations were instituted against our Company prior to the Scheme and were transferred to United Phosphorus Limited (erstwhile Search Chem Industries Limited).

For further details of litigations involving our Company, please see “Outstanding Litigations and Defaults” on page 51 of this Draft Letter of Offer.

2. Our Company has not been carrying on any business activities since 2006 and we are unable to assure you that we shall commence business activities in the foreseeable future

Pursuant to the demerger of our manufacturing units to United Phosphorus Limited (“UPL”), formerly Search Chem Industries Limited, we have not undertaken any manufacturing activities. We carried on the business of traders subsequent to the demerger but discontinued such trading activities in 2006 and have not undertaken any commercial operations since then. Further, we are unable to assure you that our Company shall commence commercial activities any time in the foreseeable future. Currently, we derive our revenues primarily from dividends declared by UPL, in which we hold 2,49,85,130 equity shares of face value ₹ 2 each. As of March 31, 2010, UPL has a number of loss making subsidiaries and in the event the subsidiaries of UPL incur further losses, the consolidated financials of UPL shall be adversely affected. Under these circumstances, the ability of UPL to declare dividends in the future may be influenced which in turn shall affect our financial conditions and result of operations. Moreover, in the event we do not commence business activities in the future and the concurrent non-declaration of dividends by UPL for any reason, the value of our Equity Shares may decline.

3. Our Company has experienced negative cash flows.

Our Company has experienced negative cash flows in the recent past, the details of which are as follows:

(₹ in lacs)

| Particulars | For the financial year ended on March 31, 2010 | For the financial year ended on March 31, 2009 |
|--|--|--|
| Cash Generated From Operating Activities | (6,417.22) | (753.10) |
| Net Cash from/(used in) financing activities | 6,266.93 | (2,875.00) |

Any negative cash flows in the future could adversely affect our Company’s results of operations and financial condition. For further details, please see “Financial Information” beginning on page 35 of this Draft Letter of Offer.

4. Our contingent liabilities, not provided for, could adversely affect our financial condition.

As of March 31, 2010, we had contingent liabilities, not provided for, of ₹ 2,764.28 lacs. If these contingent liabilities were to materialize, our resources may not be adequate to meet these liabilities or our financial condition could be adversely affected.

5. We have entered into, and may enter into, related party transactions.

We have entered into the following related party transactions as of March 31, 2010:

(₹ in lacs)

| Nature of Transactions | | Enterprises over which key management personnel and their relatives have significant influence |
|------------------------|---|--|
| 1. | Dividend received | 374.78 |
| 2. | Sale of fixed Assets | 4,000.00 |
| 3. | Interest paid on loan | 629.31 |
| 4. | Loan Taken | 6,601.54 |
| 5. | Reimbursements made | 21.24 |
| 6. | Outstandings receivable as at the balance sheet | 157.40 |

| | |
|------|--|
| date | |
|------|--|

While we believe that all these transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties and consequently would have a more favourable affect on our financial conditions.

6. *Deployment of issue proceeds proposed to be utilized towards general corporate purposes is entirely at the discretion of our Company and is not subject to any monitoring by any independent agency*

The Net Proceeds of this Issue are expected to be used for purposes as set forth under "Objects of the Issue" on page 16 of this Draft Letter of Offer. The use of the Net Proceeds towards general corporate purposes is based on management estimates and is not subject to any monitoring by any independent agency. Any inability on our part to effectively utilise the Issue Proceeds could adversely affect our financials.

7. *We are unable to assure you that our Company shall be in a position to declare dividends in the future.*

Subsequent to the implementation of the Scheme, we have declared dividend in the year 2003-04. We are unable to assure you that we shall be able to declare dividends in the future. The amount of future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

8. *A conflict situation between our Company and other associate in the same line of business may affect the price of our Equity Shares*

Our Promoters are the promoters of UPL, formerly Search Chem Industries Limited, which is authorised by its memorandum of association to undertake activities similar to the activities authorised by our Memorandum of Association. In the event our Company commences any activity which is similar to the activities of UPL, a possible conflict of interest may affect our business.

Moreover, we are unable to assure you that any new business that our Promoters may undertake in the future would be executed through our Company or be related to our Company in any manner whatsoever. Such an eventuality may affect our results and the price of our Equity Shares.

9. *A significant portion of Net Proceeds would be utilised for repayment of loans and hence would not result in creation of tangible assets.*

We intend to use a significant portion of the Net Proceeds towards prepayment / repayment of a portion of the debt outstanding on the books of our Company, including any additional loans that we may take up. For further details on the use of the Issue proceeds, please see the section "Objects of the Issue" beginning on page 16 of this Draft Letter of Offer. The Issue proceeds, consequently, shall not result in the creation of any tangible assets.

10. *Some of our loans are callable on demand*

We have availed unsecured loans from companies aggregating to ₹ 20.00 lacs. These loans are callable on demand. We cannot assure that we would be able to immediately service their repayment from cash available with us and this may require us to borrow further at higher rate of interest. This could have a material adverse effect on our cash flow position and results of operations.

11. *Our Promoters will continue to exercise significant control over our business and shall be in a position to direct corporate actions which may be allegedly detrimental to the interest of other shareholders.*

Our Promoters and Promoter Group holds 45.65% of our equity share capital. Consequently, although they may not have a majority stake in our Company, they are in a position to continue to exercise significant control over our business and all matters requiring shareholder approval, including timing and distribution of dividends, election of officers and directors, our business strategy and policies, approval of significant corporate transactions such as mergers and business combinations and sale of assets. They have also undertaken to apply for Rights Issue Equity Shares in addition to their Rights Entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining any approvals required under applicable law, to ensure that at least 90% of the Issue is subscribed. Such subscription for Rights Issue Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding. Their control could approve or impede a merger, consolidation, takeover or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control even if such transaction is allegedly beneficial to other shareholders.

12. *Our Registered Office is not owned by us and there is no formal documentation to record the terms of the tenancy.*

The registered office through which we operate our business is owned by UPL, formerly Search Chem Industries Limited. However, there is no formal documentation to record our usage of the premises, which is deemed to be informal in nature. In the event any dispute arises as to the informal terms of understanding, we shall have to shift to alternative premises and register the same as our registered office. Under these circumstances, if we are unable to identify suitable alternate premises and register the same as our registered office, we may be amenable to sanctions.

13. *Future issuances or sales of the Shares could significantly affect the trading price of the Equity Shares.*

The future issuance of Equity Shares by our Company or the disposal of Equity Shares by any of the major shareholders of our Company or the perception that such issuance or sales may occur may significantly affect the trading price of our Equity Shares. There can be no assurance that our Company will not do a further issuance of Equity Shares or that the shareholders will not dispose of, pledge or otherwise encumber their Equity Shares.

14. *There is no guarantee that the Rights Issue Equity Shares will be listed on BSE and the NSE in a timely manner, or at all*

In accordance with Indian law and practice, permission for listing and trading of the Rights Issue Equity Shares will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuance of shares to be submitted before the exchanges. There could be a failure or delay in listing the Rights Issue Equity Shares on BSE and the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of Rights Issue Equity Shares allotted to you.

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

Our Company is subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond a certain level of volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by

the SEBI on Indian stock exchanges. The percentage limit on our Company's circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform our Company of the percentage limit of the circuit breaker from time to time, and may change it without our Company's knowledge. This circuit breaker effectively limits upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares at a particular point in time.

External Risk Factor

16. After this Issue, the price of our Equity Shares may be highly volatile.

The price of our Equity Shares on the Stock Exchanges may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;
- our profitability and performance;
- perceptions about our Company's future performance or the performance of Indian companies in general;
- changes in the estimates of our Company's performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies;
- significant developments in India's fiscal and environmental regulations; and
- any other political or economic factors.

There can be no assurance that an active trading market for our Equity Shares will be sustained after this Issue, or that the price at which our Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which our Shares will trade in the market subsequent to this Issue.

17. Political instability or changes in the government in India could delay the further liberalisation of the Indian economy and adversely affect economic conditions in India generally and our business in particular.

Our business may be affected by foreign exchange rates and controls, interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

18. If regional hostilities, terrorist attacks or social unrest in India increase, our business could be adversely affected and the trading price of the Equity Shares could decrease.

The Asian region has from time to time experienced instances of civil unrest, terrorist attacks and hostilities among neighbouring countries. Military activity or terrorist attacks in India in the future could influence the Indian economy by creating a greater perception that investments in Indian companies involve higher degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy and our business and its future financial performance and the trading price of the Equity Shares.

Furthermore, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.

19. *Financial instability in other countries, particularly countries with emerging markets, could disrupt Indian markets and our business and cause the trading price of our Equity Shares to decrease.*

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Further the current financial turmoil in the United States has had a significant impact on the Indian economy as well as the stability of the Indian Markets. Financial instability in other countries such as Latin America, Russia and elsewhere in the world in recent years have had limited impact on the Indian economy and India was relatively unaffected by financial and liquidity crises experienced elsewhere. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This in turn could negatively impact the movement of exchange rates and interest rates in India. In short, any significant financial disruption could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.

20. *The Indian securities markets are more volatile than certain other securities markets.*

The Indian securities markets are more volatile than the securities markets in certain countries which are members of the Organisation for Economic Co-operation and Development. Indian stock exchanges have, in the recent past, experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. A closure of, or trading stoppage on, either of BSE and the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

21. *Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Equity Shares.*

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our ability to obtain financing to fund our growth on favourable terms or at all and, as a result, could have a material adverse effect on our results of operations and financial condition.

22. *Acts of violence could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our business, results of operations, financial condition and cash flows*

Certain events that are beyond our control, including terrorist attacks and other acts of violence or war, which may adversely affect worldwide financial markets and potentially lead to economic recession,

could adversely affect our business, results of operations, financial condition and cash flows. Additionally, any of these events could lower confidence in India's economy. Southern Asia has, from time to time, experienced instances of civil unrest and political tensions and hostilities among neighbouring countries. Political tensions could create a perception that there is a risk of disruption of operations, which could have an adverse effect on the market for our services.

23. Natural calamities could have a negative effect on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. Further prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

24. Investors may have difficulty enforcing judgments against us or our management.

The enforcement by investors of civil liabilities, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be affected adversely by the fact that we are incorporated under the laws of the Republic of India and almost all of our executive officers and directors reside in India. Nearly all of our assets and the assets of our executive officers and directors are also located in India. As a result, it may be difficult to effect service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India.

Section 44A of the Indian Code of Civil Procedure, 1908, as amended, provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the Government 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 relevant court in India. The United Kingdom has been declared by the Government to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the Government to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Indian Code of Civil Procedure, 1908, and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered.

PROMINENT NOTES

1. This is an Issue of [●] Equity Shares at a premium of ₹ [●] per Equity Share for an amount not exceeding ₹ 7,500.00 lacs on a rights basis to the existing Equity Shareholders of our Company in the ratio of [●] Equity Share(s) for every [●] fully paid-up Equity Share(s) held by the existing Equity Shareholders on the Record Date.
2. The net worth of our Company (Share Capital + Reserves & Surplus) as on March 31, 2010 was ₹ 5,677.30 lacs.
3. Details of related party transactions for the year ending March 31, 2010:

(₹ in lacs)

| Nature of Transactions | | Enterprises over which key management personnel and their relatives have significant influence |
|------------------------|--|--|
| 1. | Dividend received | 374.78 |
| 2. | Sale of fixed Assets | 4,000.00 |
| 3. | Interest paid on loan | 629.31 |
| 4. | Loan Taken | 6,601.54 |
| 5. | Reimbursements made | 21.24 |
| 6. | Outstandings receivable as at the balance sheet date | 157.40 |

4. There has been no financing arrangement whereby the Promoter Group, the Directors of our Company who are our Promoters and our Directors and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the Draft Letter of Offer with SEBI.
5. Our Company is eligible to make disclosures in the Draft Letter of Offer as per Part E of Schedule VIII of the SEBI Regulations as it is in compliance with the following:
 - a. our Company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this Draft Letter of Offer with SEBI;
 - b. the reports, statements and information referred to in sub-clause (a) above are available on the website of any recognised stock exchange with nationwide trading terminals or on a common e-filing platform specified by SEBI;
 - c. our Company has investor grievance-handling mechanism which includes meeting of the Shareholders' or Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the Board of Directors as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.
6. All information shall be made available by the Lead Manager and our Company to the public and investors at large and no selective or additional information would be available only to a section of investors in any manner whatsoever.
7. The Lead Manager and our Company shall update this Draft Letter of Offer and keep our shareholders / public informed of any material changes till listing and trading permission in respect of the Rights Issue Equity Shares is received.

SECTION III – INTRODUCTION

THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in “Terms of the Issue” on page 74 of this Draft Letter of Offer.

| | |
|--|--|
| Rights Issue Equity Shares | [●] Equity Shares |
| Equity Shares outstanding prior to the Issue | 2,54,74,670 Equity Shares |
| Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)* | [●] Equity Shares |
| Rights Entitlement | [●] Equity Share(s) for every [●] fully paid-up Equity Share(s) held on the Record Date |
| Record Date | [●] |
| Face Value per Equity Share | ₹ 2 each |
| Issue Price per Equity Share | ₹ [●] each |
| Terms of the Issue | For more information, please see “Terms of the Issue” on page 74 of this Draft Letter of Offer. |
| Use of Issue Proceeds | For further information, please see “Objects of the Issue” on page 16 of this Draft Letter of Offer. |

Terms of Payment

The full amount of ₹ [●] per Equity Share is payable on application.

Note on Outstanding Instruments

As on September 30, 2010, 33766 GDRs are outstanding. These outstanding GDRs can be converted into 67,532 Equity Shares of ₹ 2 each, at the option of the GDR holders.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our audited financial statements for and as of the financial year ended March 31, 2010 and the unaudited, limited review, statement of assets and liabilities and profit and loss statement for the six months ended September 30, 2010. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and are presented in “Financial Information” on page 35 of this Draft Letter of Offer.

I. Summary Statement of Assets and Liabilities as at March 31, 2010 and Profit and Loss for the year ended March 31, 2010.

Amount – ₹Lacs

| A. Summary statement of Assets & Liabilities as at March 31, 2010 | | |
|--|---|-------------------------------------|
| | Particulars | As at 31.03.2010 (Audited) |
| SHAREHOLDERS' FUNDS: | | |
| | (a) Capital | 509.49 |
| | (b) Reserves and Surplus | 5,167.80 |
| LOAN FUNDS | | |
| | Total | 13,097.29 |
| FIXED ASSETS | | |
| | | 2,872.74 |
| INVESTMENTS | | |
| | | 7,754.33 |
| DEFERRED TAX ASSETS | | |
| | | 0.44 |
| CURRENT ASSETS, LOANS AND ADVANCES: | | |
| | (a) Inventories | - |
| | (b) Sundry Debtors | - |
| | (c) Cash and Bank balances | 373.81 |
| | (d) Other current assets | - |
| | (e) Loans and Advances | 2,201.12 |
| Less: Current Liabilities and Provisions | | |
| | (a) Liabilities | (105.15) |
| | (b) Provisions | - |
| | Total | 13,097.29 |
| B. Summary statement of Profit and Loss for the year ended March 31, 2010 | | |
| | Particulars | Year Ended 31.03.10 (Audited) |
| 1 | a) Net Sales/Income from Operations | - |
| | b) Other Operating Income | - |
| 2 | Expenditure | |
| | a) Increase/decrease in stock in trade and work in progress | - |
| | b) Consumption of raw materials | - |
| | c) Purchase of traded goods | - |
| | d) Employees cost | 20.61 |
| | e) Depreciation | 19.58 |
| | f) Other expenditure | 133.87 |
| | g) Total | 174.06 |
| 3 | Profit from Operations before Other Income, Interest and Exceptional Items (1-2) | (174.06) |
| 4 | Other Income | 396.44 |
| 5 | Profit before Interest and Exceptional Items (3+4) | 222.38 |
| 6 | Interest | 638.99 |

| | | |
|-----------|---|-----------------|
| 7 | Profit after Interest but before Exceptional Items (5-6) | (416.61) |
| 8 | Exceptional items | 2,736.10 |
| 9 | Profit (+)/ Loss (-) from Ordinary Activities before tax (7+8) | 2,319.49 |
| 10 | Tax expense | 335.00 |
| 11 | Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10) | 1,984.49 |
| 12 | Extraordinary Item (net of tax expense) | - |
| 13 | Net Profit(+)/ Loss(-) for the period (11-12) | 1,984.49 |
| 14 | Paid-up equity share capital (Face Value - ₹ 2.00 per share) | 509.49 |
| 15 | Earnings Per Share (EPS) (₹) | |
| | a) Basic and diluted EPS before Extraordinary items for the period and for the previous year. | 7.79 |
| | b) Basic and diluted EPS after Extraordinary items for the period and for the previous year. | 7.79 |

II. Summary Statement of Assets and Liabilities as at September 30, 2010 and Profit and Loss for the six months period ended September 30, 2010 included in the unaudited financial results for the three month period ended September 30, 2010

Amount – ₹Lacs

| A. Summary statement of Assets & Liabilities as at September 30, 2010 | | |
|--|---|--|
| Particulars | As at 30.09.2010 (Unaudited, Limited Review) | |
| SHAREHOLDERS' FUNDS: | | |
| (a) Capital | 509.49 | |
| (b) Reserves and Surplus | 5,301.75 | |
| LOAN FUNDS | 7,025.74 | |
| TOTAL | 12,836.98 | |
| FIXED ASSETS | | |
| INVESTMENTS | 2,872.59 | |
| DEFERRED TAX ASSETS | 7,751.45 | |
| CURRENT ASSETS, LOANS AND ADVANCES: | 0.44 | |
| (a) Inventories | - | |
| (b) Sundry Debtors | - | |
| (c) Cash and Bank balances | 158.54 | |
| (d) Other current assets | - | |
| (e) Loans and Advances | 2,085.38 | |
| Less: Current Liabilities and Provisions | | |
| (a) Liabilities | (31.42) | |
| (b) Provisions | | |
| Total | 12,836.98 | |
| B. Summary statement of Profit and Loss for the six months ended September 30, 2010 | | |
| | Particulars | Six Months ended 30.09.10 (Unaudited, Limited Review) |
| 1 | a) Net Sales/Income from Operations | - |
| | b) Other Operating Income | - |
| 2 | Expenditure | |
| | a) Increase/decrease in stock in trade and work in progress | - |
| | b) Consumption of raw materials | - |
| | c) Purchase of traded goods | - |
| | d) Employees cost | 11.48 |
| | e) Depreciation | 3.03 |
| | f) Other expenditure | 66.75 |
| | g) Total | 81.26 |
| 3 | Profit from Operations before Other Income, Interest and Exceptional Items (1-2) | (81.26) |
| 4 | Other Income | 499.70 |
| 5 | Profit before Interest and Exceptional Items (3+4) | 418.44 |
| 6 | Interest | 284.50 |
| 7 | Profit after Interest but before Exceptional Items (5-6) | 133.94 |
| 8 | Exceptional items | - |
| 9 | Profit (+)/ Loss (-) from Ordinary Activities before tax (7+8) | 133.94 |
| 10 | Tax expense | - |
| 11 | Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10) | 133.94 |
| 12 | Extraordinary Item (net of tax expense) | - |

| | | |
|-----------|--|---------------|
| 13 | Net Profit(+)/ Loss(-) for the period (11-12) | 133.94 |
| 14 | Paid-up equity share capital (Face Value - ₹ 2.00 per share) | 509.49 |
| 15 | Earnings Per Share (EPS) (₹) | |
| | a) Basic and diluted EPS before Extraordinary items for the period and for the previous year | 0.53 |
| | b) Basic and diluted EPS after Extraordinary items for the period and for the previous year | 0.53 |

GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolution under section 81 (1) of the Companies Act approved by our Board of Directors at its meeting held on December 23, 2010, it has been decided to make the following offer to our Equity Shareholders, with a right to renounce:

ISSUE OF [●] EQUITY SHARES WITH A FACE VALUE OF ₹ 2 EACH AT A PREMIUM OF ₹ [●] PER EQUITY SHARE FOR AN AMOUNT NOT EXCEEDING ₹ 7,500.00 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF [●] EQUITY SHARE(S) FOR EVERY [●] FULLY PAID-UP EQUITY SHARE(S) HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE THAT IS ON [●]. THE ISSUE PRICE IS [●] TIMES THE FACE VALUE OF THE EQUITY SHARES.

Registered Office of our Company

Uniphos Enterprises Limited

11, GIDC, Vapi District,
Valsad – 396195,
Gujarat, India.

Tel: +91 260 240 0717

Fax: +91 260 240 1823

Website: www.uelonline.com

Email: uel.investors@uniphos.com

Corporate Office of our Company

Uniphos Enterprises Limited

Uniphos House,
C. D. Marg, Khar (West),
Mumbai – 400 052, India

Tel: +91 22 2646 8000

Fax: +91 22 2604 1010

For the purpose of correspondence, our Company may also be contacted at:

8, Shri Krishna Commercial Centre,
Ground floor, Opp. Raheja Solitaire,
6 Udyog Nagar, Off. S.V.Road,
Goregaon (West),
Mumbai – 400062, India
Tel: +91 22 2875 5486
Fax: +91 22 2875 3485

Corporate Identification No.: L24219GJ1969PLC001588

Address of the Registrar of Companies

ROC Bhavan,
Opp Rupal Park, Near Ankul Bus-Stand, Naranpura,
Ahmedabad-380 013,
Gujarat, India

Company Secretary and Compliance Officer**Mr. K. M. Thacker**

Uniphos Enterprises Limited
8, Shri Krishna Commercial Centre
6, Udyog Nagar, Off S. V. Road,
Goregaon (West),
Mumbai- 400 062, India
Tel: +91 22 2875 5486
Fax: +91 22 2875 3485
E-mail: thackerkm@uniphos.com

Lead Manager to the Issue**Keynote Corporate Services Limited**

4th Floor, Balmer Lawrie Building,
5, J. N. Heredia Marg, Ballard Estate,
Mumbai – 400 001,
Maharashtra, India.
Tel: +91 22 3026 6000-3
Fax: +91 22 2269 4323
E-mail: mbd@keynoteindia.net
Website: www. keynoteindia.net
Contact Person: Ms. Swati Sinha/Mr. Chintan Hefa
SEBI Registration Number: INM 000003606

Bankers to the Issue

[•]

Legal Counsel to the Issue**Khaitan & Co**

One Indiabulls Centre, 13th Floor,
841, Senapati Bapat Marg,
Elphinstone Road,
Mumbai – 400 013,
Maharashtra, India.
Tel: + 91 22 6636 5000
Fax: + 91 22 6636 5050

Registrar to the Issue

Sharepro Services (India) Private Limited

13AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road,
Sakinaka, Andheri (East)
Mumbai – 400 072,
Maharashtra, India.

Tel: +91 22 6772 0300

Fax: +91 22 2859 1568

Email: abrahamkg@shareproservices.com

Website: www.shareproservices.com

Contact Person: Mr. Abraham K.G.

SEBI Registration Number: INR000001476

Self Certified Syndicate Banks

All Equity shareholders may apply in this Issue through the ASBA process. The Equity Shareholders are required to fill the ASBA Form and submit the same to their Self Certified Syndicate Banks (“SCSB”) which in turn will block the amount as per the authority contained in the ASBA Form and undertake other tasks as per the specified procedure. The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided in the SEBI website www.sebi.gov.in. On allotment, the amount would be unblocked and the account would be debited only to the extent required to pay for the Rights Issue Equity Shares allotted.

For further details on the ASBA process, please refer to details given in ASBA form and also refer to the section “Terms of the Issue” beginning on page 74 of this Draft Letter of Offer.

The list of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount (“ASBA”) Process are available at the SEBI website (URL reference: <http://www.sebi.gov.in>). Details relating to designated branches of SCSBs collecting the ASBA forms are available at the above mentioned link.

Investors may please contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-issue /post-issue related matter. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

Credit rating

This being an issue of equity shares, no credit rating is required. No ratings have been received by us in the past. The Company does not have any convertible debt instruments which are or were listed on any stock exchange.

Inter-se allocation of responsibilities

Keynote Corporate Services Limited is the sole Lead Manager to this issue, however the list of major responsibilities of Keynote Corporate Services Limited inter alia, is as follows:

| Sr. No. | Activity |
|---------|--|
| A. | Capital Structuring with relative components and formalities such as composition of Structuring of the offer document. |
| B. | Drafting and design of the offer document and of the advertisement or publicity material including newspaper advertisement and brochure or memorandum containing salient features of the offer document. |
| C. | Selection of various agencies connected with issue, such as registrars to the issue, printers, advertising agencies, etc. |
| D. | Marketing of the issue, which shall cover, <i>inter alia</i> , formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres for holding conferences of shareholders, investors, etc., (iii) bankers to the issue, (iv) collection centres as per schedule III of ICDR, distribution of publicity and issue material, Letter of Offer. |
| E. | Post-issue activities, which shall involve essential follow-up steps including follow-up with bankers to the issue and Self Certified Syndicate Banks to get quick estimates of collection and advising the issuer about the closure of the issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as Registrar to the issue, Bankers to the issue, Self Certified Syndicate Banks, etc. |

Debenture trustee

This being an issue of equity shares, debenture trustee is not appointed.

Issue Schedule

| | |
|---|-----|
| Issue Opening Date: | [●] |
| Last date for receiving requests for split forms: | [●] |
| Issue Closing Date: | [●] |

Monitoring Agency

The Company is not required to appoint a monitoring agency is pursuant to Regulation 16 of the SEBI Regulations.

Appraisal Reports

None of the purposes for which the Net Proceeds are proposed to be utilised have been financially appraised.

Principal Terms of Loan and Assets charged as security

For details of the principal terms of loans and assets charged as security, please see “Financial Information - Principal terms of loan and assets charged as security” on page 46 of this Draft Letter of Offer.

Underwriting

The Issue shall not be underwritten.

CAPITAL STRUCTURE

The capital structure of our Company and related information as on date of this Draft Letter of Offer is set forth below:

(₹ in lacs)

| | Aggregate Nominal Value | Aggregate Value at Issue Price |
|---|----------------------------|--------------------------------------|
| A. Authorised share capital: | | |
| 15,00,00,000 Equity Shares of ₹ 2 each | 3,000.00 | |
| 70,00,000 Preference Shares of ₹ 100 each | 7,000.00 | |
| Total | 10,000.00 | |
| B. Issued, subscribed and paid up capital | | |
| 2,54,74,670 Equity Shares of ₹ 2 each fully paid-up | 509.49 | |
| Total | 509.49 | |
| C. Present Issue in terms of this Draft Letter of Offer | | |
| [●] Equity Shares at an Issue Price of ₹ [●] per Equity Share (premium of ₹ [●] per Equity Share) | [●] | [●] |
| D. Issued, subscribed and paid up capital after the Issue (assuming full subscription for and allotment of the Rights Entitlement) | | |
| [●] Equity Shares of ₹ 2 each fully paid-up | [●] | |
| E. Securities premium account | | |
| Before the Issue | 0.00 | |
| After the Issue | [●] | |

Note on Outstanding Instruments

As on September 30, 2010, 33,766 GDRs are outstanding. These outstanding GDRs can be converted into 67,532 Equity Shares, at the option of the GDR holders. No convertible instruments / securities are outstanding other than GDRs.

Notes to the Capital Structure

1. The shareholding pattern of our Company as on September 30, 2010:

| Category Code | Category of Shareholders | Number of Shareholders | Total No. of shares | Number of shares held in demated form | Total shareholding as a percentage of total number of shares | | Shares pledged or otherwise encumbered | | |
|---------------|--|------------------------|---------------------|---------------------------------------|--|------------------------|--|-------------|--|
| | | | | | As a % of (A+B) (VI) | As a % of (A+B+C) (VI) | No. of Shares (VIII) | As a % (IX) | |
| (I) | (II) | (III) | (IV) | (V) | | | | | |
| (A) | Promoter and Promoter Group | | | | | | | | |
| (1) | Indian | | | | | | | | |
| (a) | Individuals/H.U.F | 9 | 4,19,523 | 4,19,423 | 1.65 | 1.65 | 0 | 0 | |
| (b) | Central/State Government(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| (c) | Bodies Corporate | 1 | 1,11,79,220 | 1,11,79,220 | 44.00 | 43.88 | 0 | 0 | |
| (d) | Financial Institutions/Banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| (e) | Any Other (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Sub-Total (A)(1) | 10 | 1,15,98,743 | 1,15,98,643 | 45.65 | 45.53 | 0 | 0 | |
| (2) | Foreign | | | | | | | | |
| (a) | Non Resident Individuals/ | | | | | | | | |
| | Foreign Nationals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| (b) | Bodies Corporate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| (c) | Institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| (d) | Any Other (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Sub Total (A)(2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Total holding of Promoter and Promoter Group | 10 | 1,15,98,743 | 1,15,98,643 | 45.65 | 45.53 | 0 | 0 | |
| | (A)=(A)(1)+(A)(2) | | | | | | | | |
| (B) | Public Shareholding | | | | | | | | |
| (1) | Institutions | | | | | | | | |
| (a) | Mutual Fund/UTI | 4 | 12,73,379 | 12,73,379 | 5.01 | 5 | 0 | 0 | |
| (b) | Financial Institutions/Banks | 7 | 1,388 | 1,388 | 0.01 | 0.01 | 0 | 0 | |
| (c) | Central/State Government(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| (e) | Insurance Companies | 2 | 9,56,456 | 9,56,456 | 3.76 | 3.75 | 0 | 0 | |

| Category Code | Category of Shareholders | Number of Shareholders | Total No. of shares | Number of shares held in demated form | Total shareholding as a percentage of total number of shares | | Shares pledged or otherwise encumbered | |
|---------------|---|------------------------|---------------------|---------------------------------------|--|--------------|--|----------|
| | | | | | | | | |
| (f) | Foreign Institutional Investors | 15 | 41,26,114 | 41,24,164 | 16.24 | 16.20 | 0 | 0 |
| (g) | Foreign Venture Cap. Inv | | | | | | | |
| | Sub-Total (B)(1) | 28 | 63,57,337 | 63,55,387 | 25.02 | 24.96 | N.A. | N.A. |
| (2) | Non Institutions | | | | | | | |
| (a) | Bodies Corporate | 423 | 10,44,608 | 10,29,954 | 4.11 | 4.10 | 0 | 0 |
| (b) | Individuals | | | | | | | |
| | i) Holding nominal share capital upto ₹ 1 lakh | 13,645 | 5,28,7026 | 46,93,297 | 20.81 | 20.75 | 0 | 0 |
| | ii) Holding nominal share capital in excess of ₹ 1 lakh. | 5 | 4,36,872 | 4,36,872 | 1.72 | 1.71 | 0 | 0 |
| (c) | Any Other(specify) | | | | | | | |
| | Overseas Corporate Bodies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Non Resident Individuals | 825 | 6,82,552 | 4,43,128 | 2.69 | 2.68 | 0 | 0 |
| | Any Other (Non Domestic Companies) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub-Total (B)(2) | 14,898 | 74,51,058 | 66,03,251 | 29.33 | 29.25 | N.A. | N.A. |
| | Total Public shareholding (B)=(B)(1)+(B)(2) | 14,926 | 1,38,08,395 | 1,29,58,638 | 54.35 | 54.20 | | |
| | TOTAL (A)+(B) | 14,936 | 2,54,07,138 | 2,45,57,281 | 100.00 | 99.73 | N.A. | N.A. |
| (C) | Shares held by Custodians and against which Depository Receipts have been issued | 3 | 67,532 | 66,732 | 0.27 | 0.27 | N.A. | N.A. |
| | GRAND TOTAL (A)+(B)+(C) | 14,939 | 2,54,74,670 | 2,46,24,013 | | 100 | 0 | 0 |

2. **Shareholding of Promoter and Promoter Group in our Company as of September 30, 2010:**

| Sr.No. | Name of the shareholder | Number of shares | Shares as a percentage of total number Equity | Shares pledged or otherwise encumbered | | |
|--------|---------------------------------|--------------------|---|--|-------------|-----------------------------|
| | | | | No. of Shares (V) | As a % (VI) | As a % of Grand Total (VII) |
| (I) | (II) | (III) | (IV) | | | |
| 1 | Nerka Chemicals Private Limited | 1,11,79,220 | 43.88 | 0 | 0 | 0 |
| 2 | Shilpa R Shroff | 3,29,123 | 1.29 | 0 | 0 | 0 |
| 3 | Jyotsna J Bhatt | 47,600 | 0.19 | 0 | 0 | 0 |
| 4 | Jyotindra Manshankar Bhatt | 40,600 | 0.16 | 0 | 0 | 0 |
| 5 | Varun Jaidev Shroff | 1,300 | 0.01 | 0 | 0 | 0 |
| 6 | Tania Jaidev Shroff | 500 | 0.00 | 0 | 0 | 0 |
| 7 | Shaila Shashikumar Shroff | 400 | 0.00 | 0 | 0 | 0 |
| | Total | 1,15,98,743 | 45.53 | 0 | 0 | 0 |

3. **Statement showing Shareholding of persons holding more than 1% of the total number of shares as of September 30, 2010:**

| Sr. No. | Name of the shareholder | Number of shares | Shares as a percentage of total number of Equity Shares |
|---------|--------------------------------------|--------------------|---|
| | Promoter and Promoter Group | | |
| 1 | Nerka Chemicals Private Limited | 1,11,79,220 | 43.88 |
| 2 | Shilpa R Shroff | 3,29,123 | 1.29 |
| | Others | | |
| 3 | Birla Sun Life Trustee Company P Ltd | 12,71,119 | 4.99 |
| 4 | The Royal Bank Of Scotland N V (Lon) | 12,50,000 | 4.91 |
| 5 | Credit Suisse (Singapore) Limited | 11,67,115 | 4.58 |
| 6 | Ares Diversified | 11,45,000 | 4.49 |
| 7 | Life Insurance Corporation Of India | 8,98,756 | 3.53 |
| 8 | Acacia Partners, LP | 3,19,491 | 1.25 |
| | Total | 1,75,59,824 | 68.93 |

4. **Statement showing details of convertible instruments as of September 30, 2010:**

| Sr.No. | Type of outstanding DR (ADRs, GDRs, etc.) | Number of outstanding DRs | Number of shares underlying outstanding DRs | Shares underlying outstanding DRs as a percentage of total number of Equity Shares |
|--------|---|---------------------------|---|--|
| 1 | GDR | 33,766 | 67,532 | 0.27 |
| | Total | 33,766 | 67,532 | 0.27 |

As on date of this Draft Letter of Offer, other than the GDRs, there are no existing convertible instruments or other options allowing the existing Equity Shareholders to receive any Equity Shares, at a future date. During the period commencing from April 1, 2010 to September 30, 2010, 5,760 GDRs were converted into Equity Shares.

5. If our Company does not receive the minimum subscription of 90% of the Issue or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, our Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after our Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), our Company will pay interest for the delayed period, as prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.
6. The Promoters and Promoter Group holding Equity Shares in our Company have undertaken to fully subscribe for their Rights Entitlement. They reserve the right to subscribe for their Rights Entitlement either by themselves and/or through one or more entities controlled by them, including by subscribing for Rights Issue Equity Shares pursuant to any renunciation made by any of the Promoter or Promoter Group to another Promoter or Promoter Group. They have also undertaken to apply for Rights Issue Equity Shares in addition to their Rights Entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining any approvals required under applicable law, to ensure that at least 90% of the Issue is subscribed. Such subscription for Rights Issue Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Such subscription and acquisition of additional Rights Issue Equity Shares by the Promoters and Promoter Group through the Issue, if any, will not result in change of control of the management of our Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Regulations.
7. The Company is in compliance with clause 40(A) of the listing agreement and is required to maintain public shareholding of at least 25% of the total number of its listed Equity Shares.
8. The Promoters and certain entities belonging to the Promoter Group have transferred 28,59,678 Equity Shares on February 26, 2010, by way of a gift to Nerka Chemicals Private Limited, which is a part of the Promoter Group. The details of the gift of Equity Shares are as follows:

| Transferor | No. of Equity Shares transferred | Percentage (%) |
|---|---|-----------------------|
| Jaidev Rajnikant Shroff | 552965 | 2.171 |
| Rajnikant Devidas Shroff | 447,950 | 1.758 |
| Navin C Ashar, A. C. Menon, the trustees of Jai Trust | 306,560 | 1.203 |
| Sandra Rajnikant Shroff | 485,475 | 1.906 |
| Vikram R Shroff | 428,312 | 1.681 |
| The partners of Ultiima Serach, a partnership firm | 192,016 | 0.754 |
| Bloom Packaging Private Limited | 162,500 | 0.638 |
| Nivi Trading Limited | 93,400 | 0.367 |
| Esthetic Finvest Private Limited | 62,500 | 0.245 |
| The partners of Prakriya Pharmachem, a partnership firm | 48,000 | 0.188 |

| Transferor | No. of Equity Shares transferred | Percentage (%) |
|--|---|-----------------------|
| The partners of Urja Chemicals, a partnership firm | 36,000 | 0.141 |
| Rajju D Shroff, Sandra, Bloom - Akruiti | 32,000 | 0.126 |
| The partners of Sarjan Chemicals, a partnership firm | 12,000 | 0.047 |
| Total | 2,859,678 | 11.226 |

Other than the above, our Promoters and members of the Promoter Group have not undertaken any transactions in the Equity Shares in the last one year.

9. As on date of this Draft Letter of Offer, no Equity Shares is subject to lock-in, is pledged or is encumbered.

OBJECTS OF THE ISSUE

Our Company intends to deploy the Net Proceeds of the Issue, after deduction of expenses in relation to the Issue, to finance the fund requirements for:

1. Repayment of certain loans availed by our Company, and
2. General corporate purposes

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

The fund requirement and deployment are based on internal management estimates and have not been appraised. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, or in other financial condition, business or strategy, as discussed further below.

In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue.

We may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates and external factors, which may not be within the control of our management. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirements and increasing or decreasing the expenditure for a particular purpose from its planned expenditure mentioned below at the discretion of our management. Accordingly, the net proceeds of the Issue would be used to meet all or any of the uses of the funds described herein.

The Net Proceeds of the Issue:

(₹ in lacs)

| Particulars | Estimated Amount |
|-----------------------------|------------------|
| Gross proceeds of the Issue | 7,500.00 |
| Issue related expenses | [•] |
| Net Proceeds of the Issue | [•] |

We intend to utilise the Net Proceeds of the Issue for financing the objects as set forth below:

(₹ in lacs)

| Expenditure Items | Amount to be utilized from the Net Proceeds |
|----------------------------|---|
| Repay certain loans | 7,000.00 |
| General corporate purposes | [•] |
| Total | [•] |

The entire requirements of the objects detailed above are intended to be funded from the Net Proceeds of the Issue. Accordingly, our Company confirms that there is no requirement for it to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Details of the Objects of the Rights Issue

1. Repay certain loans

We propose to utilize an amount of ₹ 7,000.00 lacs out of the Issue proceeds for the repayment of the outstanding loans.

Pursuant to the implementation of the Scheme of Arrangement, the manufacturing business of our Company was transferred to United Phosphorous Limited (UPL), formerly Search Chem Industries Limited. Consequent to the transfer, our Company is not carrying on any business activity and no business income is currently generated. The profits earned in past few years by our Company are on account of dividend on investments and profits on sale of property.

Yes Bank Limited has sanctioned a “revolving short term loan” for an amount of ₹ 8,000.00 lacs pursuant to a sanction letter no. YBL/MUM/FL/1464/2009-10 dated March 18, 2010. The Company had availed of a loan of ₹ 7,000.00 lacs from Yes Bank Limited (“Yes Bank Loan”) as on date. The Yes Bank Loan is in the nature of “revolving short term loan” facility for the purpose of working capital which is to be secured by exclusive charge on our current assets and a letter of awareness from United Phosphorus Limited. The Yes Bank Loan facility of tenure of 90 days has been renewed pursuant to a letter dated December 23, 2010. The rate of interest on the said loan is 8.80 % p.a.

We have been regular in payment of interest due on the said loan at agreed intervals. We propose to repay the entire Yes Bank Loan from the proceeds of the Issue.

2. General corporate purposes

Our Company intends to utilize a sum of ₹ [•] towards general corporate purposes including corporate overheads, finance and general administrative costs.

Schedule of Implementation and Deployment of Funds

Our Company proposes to repay the loan funds at the earliest from the date of receipt of Issue proceeds. We further propose to utilize the Issue proceeds towards the other Objects mentioned above, within a period of one year from the date of receipt of such Issue proceeds.

Issue Related Expenses

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

| Particulars | Amount (₹ in lacs) | As percentage of total expenses | As a percentage of Issue size |
|--|-----------------------|---------------------------------------|-------------------------------------|
| Fees payable to intermediaries including Lead manager and Registrar to the Issue | [•] | [•] | [•] |
| Fees payable to SCSBs for processing ASBA forms | [•] | [•] | [•] |
| Advisors and Statutory Auditors | [•] | [•] | [•] |
| Bankers to the Issue | [•] | [•] | [•] |
| Others: | [•] | [•] | [•] |
| - Printing and stationery | [•] | [•] | [•] |
| - Listing fees | [•] | [•] | [•] |
| - Others | [•] | [•] | [•] |
| Total estimated Issue expenses | [•] | [•] | [•] |

Sources and deployment of funds

As per the certificate dated December 29, 2010 issued by M/s Jawahar Thacker & Co., Chartered Accountants, our Company has deployed ₹ 5.51 lacs till December 24, 2010 towards issue expenses. The same has been financed from the internal accruals of our Company.

Appraisal Report

None of the objects for which the Net Proceeds will be utilised have been financially appraised. The estimates of the costs of objects mentioned above are based on internal estimates of our Company.

Working Capital Requirement

The Net Proceeds will not be used to meet our working capital requirements as we expect to have internal accruals, avail debt and/or draw down from our existing or new lines of credit to meet our existing working capital requirements.

Interim use of funds

The management of our Company, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including investments in mutual funds, deposits with banks and other investment grade interest bearing securities. Such investments would be in accordance with investment policies approved by our Board from time to time. Our Company confirms that pending utilization of the Net Proceeds it shall not use the funds for any investments in the equity markets.

Bridge Financing Facilities

Our Company has not raised any bridge loans from any bank or financial institution as on the date of this Draft Letter of Offer, which are proposed to be repaid from the Issue Proceeds.

Monitoring of the utilization of funds

Our Board of Directors will monitor the utilisation of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our financial statements clearly specifying the purposes for which such proceeds have been utilized. We, in our balance sheet will provide details, if any, in relation to all such proceeds of the Issue that have not been utilized.

No part of the proceeds of this Issue will be paid by us as consideration to our Promoters, our Directors, key managerial personnel or companies promoted by our Promoters.

STATEMENT OF TAX BENEFITS

To,
Board of Directors,
Uniphos Enterprises Limited
A-2/1 GIDC Vapi,
Dist-Bulsar
Gujarat – 396 195

Dear Sirs,

Statement of Possible Tax Benefits available to Uniphos Enterprises Limited ('the Company') and its shareholders

We hereby report that the enclosed statement states the possible tax benefits available to the Company under the Income-tax Act, 1961 (as amended by the Finance Act 2010), presently in force in India and to the shareholders of the Company under the Income tax Act, 1961 and Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

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

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

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

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

For S. V. Ghatalia & Associates
Chartered Accountants
Sd/-

per Pramod Kumar Bapna

Partner
Membership No.: 105497

Place: Mumbai
Date: December 28, 2010

ANNEXURE TO STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO UNIPHOS ENTERPRISES LIMITED ('THE COMPANY') AND ITS SHAREHOLDERS

I. BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 (HEREINAFTER REFERRED TO AS THE IT ACT):

(A) SPECIAL TAX BENEFITS

There are no special tax benefits specifically available to the Company.

(B) GENERAL TAX BENEFITS

The following general tax benefits are available to the Company after fulfilling certain conditions as required in the relevant Act.

- (i) The Company will be entitled to claim depreciation allowance at the prescribed rates on assets under section 32 of the IT Act.
- (ii) Dividend income referred to in section 115-O earned by the Company from domestic companies, will be exempt under section 10(34) of the IT Act. Similarly income received by the Company in respect of units of Mutual Funds specified under section 10(23D) will be exempt under section 10(35) of the IT Act.

Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Act. Thus, any expenditure incurred to earn the said income will not be a tax deductible expenditure.

- (iii) Income arising on transfer of equity shares or units of an equity oriented fund held by the Company will be exempt under section 10(38) of the IT Act if the said asset is a long-term capital asset and securities transaction tax has been charged on the said transaction. These assets turn long-term if they are held for more than 12 months. However, the said exemption will not be available to the company while computing the book profit under section 115JB.
- (iv) Long-term capital gains arising to the Company from the transfer of listed securities or units of an equity-oriented fund, not covered under point (iii) above i.e. on which no securities transaction tax is paid, shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition/ improvement or at the rate of 10% (plus applicable surcharge and education cess) of the capital gains computed before indexing the cost of acquisition/ improvement, whichever is lower. These assets turn long-term if they are held for more than 12 months.
- (v) Long-term capital gains not covered under points (iii) and (iv) above shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition/ improvement. Assets other than equity shares or units covered by points (iii) & (iv) above turn long term if they are held for more than 36 months.
- (vi) Short-term capital gains arising on transfer of equity shares or units of an equity oriented fund held by the Company for a period of less than 12 months will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the IT Act if such transaction is chargeable to securities transaction tax. Short term capital gains on other assets held for a period of less than 36 months will be chargeable to tax at the rate of 30% (plus applicable surcharge and education cess).

-
- (vii) In accordance with, and subject to the conditions, including the limit of investment of ₹50 lacs, and to the extent specified in section 54EC of the IT Act, capital gains arising on transfer of long-term capital assets of the Company not covered under point (iii) above shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets.
- (viii) As per section 74 of the IT Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

II. BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY UNDER THE INCOME TAX ACT, 1961 (HEREINAFTER REFERRED TO AS THE IT ACT):

The following general tax benefits are available to the Shareholders of the Company after fulfilling certain conditions as required in the relevant Act.

1. RESIDENTS:

- (i) Dividend income referred to in section 115-O earned on shares of the Company will be exempt in the hands of shareholders under section 10(34) of the IT Act.

Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Act. Thus, any expenditure incurred to earn the said income will not be a tax deductible expenditure.

- (ii) Income arising on transfer of the shares of the Company will be exempt under section 10(38) of the IT Act if the said shares are long-term capital assets and such transaction is chargeable to securities transaction tax. These assets turn long-term if they are held for more than 12 months. However, shareholders being companies will not be able to claim the above exemption while computing the book profit under section 115JB.
- (iii) Long-term capital gains accruing to the shareholders of the Company from the transfer of shares of the Company otherwise than as mentioned in point (ii) above i.e. on which no securities transaction tax is paid, shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition/ improvement or at the rate of 10% (plus applicable surcharge and education cess) of the capital gains computed before indexing the cost of acquisition/ improvement, whichever is lower.
- (iv) In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by long-term capital gains is below the basic exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 112 of the IT Act.
- (v) Short-term capital gains arising on transfer of the shares of the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the IT Act if securities transaction tax has been charged on the said transaction. In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by short-term capital gains is below the basic exemption limit, the short-term capital gains will be reduced to the extent of the shortfall and only

the balance short-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 111A of the IT Act.

- (vi) In accordance with, and subject to the conditions, including the limit of investment of ₹ 50 lacs, and to the extent specified in section 54EC of the IT Act, long-term capital gains arising on transfer of the shares of the Company not covered under point (ii) above shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets. In case the whole of the gains are not so invested, the exemption shall be allowed on pro-rata basis.
- (vii) In accordance with and subject to the conditions including ownership of not more than one residential house on the date of transfer (other than the new residential house referred hereinafter) and to the extent specified in section 54F of the IT Act, long-term capital gains arising on transfer of shares of the company not covered under point (ii) above held by an individual or Hindu undivided family shall be exempt from capital gain tax if the net sale consideration is utilised, within a period of one year before or two years after the date of transfer, for the purchase of a new residential house, or is utilised for construction of a new residential house within three years. If the whole of the net sales consideration is not so utilised, the exemption shall be allowed on a pro-rata basis.
- (viii) Where the transfer of shares of the company on which securities transaction tax has been charged constitutes business income of an assessee assessable under the head 'profits and gains of business or profession', such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the IT Act. In case of income chargeable as short term capital gains, securities transaction tax will not qualify for deduction in computation of capital gains.

2. NON-RESIDENTS:

- (i) Dividend income referred to in section 115-O earned on shares of the Company will be exempt in the hands of shareholders under section 10(34) of the IT Act.

Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Act. Thus, any expenditure incurred to earn the said income will not be a tax deductible expenditure.
- (ii) Income arising on transfer of the shares of the Company will be exempt under section 10(38) of the IT Act if the said shares are long-term capital assets and securities transaction tax has been charged on the said transaction. These assets turn long-term if they are held for more than 12 months. However, shareholders being companies will not be able to claim the above exemption while computing the book profit under section 115JB of the IT Act.
- (iii) In accordance with, and subject to section 48 of the IT Act, capital gains arising on transfer of shares of the Company which are acquired in convertible foreign exchange and not covered under point (ii) above i.e. on which no securities transaction tax is paid, shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/ arising from every reinvestment thereafter. Based on certain judicial precedents it is arguable that the gain so computed is chargeable @ 10% (plus applicable surcharge and cess).

-
- (iv) Long-term capital gains accruing to the shareholders of the Company from the transfer of the shares of the Company otherwise than as mentioned in points (ii) and (iii) above shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition or at the rate of 10% (plus applicable surcharge and education cess) of the capital gains computed before indexing the cost of acquisition, whichever is lower.
 - (v) Short-term capital gains arising on transfer of the shares of the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the IT Act if such transaction is chargeable to securities transaction tax.
 - (vi) In accordance with, and subject to the conditions, including the limit of investment of ₹ 50 lacs, and to the extent specified in section 54EC of the IT Act, long-term capital gains arising on transfer of the shares of the Company not covered under point (ii) above shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets. In case the whole of the gains are not so invested, the exemption shall be allowed on a pro-rata basis.
 - (vii) In accordance with, and subject to the conditions including ownership of not more than one residential house on the date of transfer (other than the new residential house referred hereinafter) and to the extent specified in section 54F of the IT Act, long-term capital gains arising on transfer of shares of the company not covered under point (ii) above held by an individual or Hindu undivided family shall be exempt from capital gain tax if the net sale consideration is utilised, within a period of one year before or two years after the date of transfer, for the purchase of a new residential house, or is utilised for construction of a new residential house within three years. If the whole of the net sales consideration is not so utilised, the exemption shall be allowed on a pro-rata basis.
 - (viii) Where the transfer of shares of the company on which securities transaction tax has been charged constitutes business income of an assessee assessable under the head 'profits and gains of business or profession', such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the IT Act.
 - (ix) Under the provisions of section 90(2) of the IT Act, a non-resident will be governed by the provisions of the Agreement for Avoidance of Double Taxation (AADT) between India and the country of residence of the non-resident and the provisions of the IT Act only to the extent they are more beneficial to the assessee.

Besides the above benefits available to non-residents, Non-Resident Indians (NRIs) have the option of being governed by the provisions of Chapter XII-A of the IT Act which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:

- (a) Under section 115E of the IT Act, NRIs will be taxed at 10% (plus applicable surcharge and education cess) on long-term capital gains arising on sale of shares of the Company which are acquired in convertible foreign exchange and are not covered under point (ii) above .
- (b) Under section 115F of the IT Act, and subject to the conditions and to the extent specified therein, long-term capital gains arising to NRIs from transfer of shares of the Company acquired out of convertible foreign exchange not covered under point (ii) above acquired out of convertible foreign exchange shall be exempt from capital gains tax if the net consideration is invested within six months of

the date of transfer of the asset in any specified asset or in any saving certificates referred to in clause (4B) of section 10 of the IT Act.

- (c) In accordance with the provisions of section 115G of the Act, NRIs are not obliged to file a return of income under section 139(1) of the IT Act, if their only source of income is income from investments or long-term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.
- (d) In accordance with, the provisions of section 115H of the IT Act, when NRIs become assessable as resident in India, they may furnish a declaration in writing to the Assessing Officer along with their return of income for that year under section 139 of the IT Act to the effect that the provisions of Chapter XII-A shall continue to apply to them in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or converted into money.
- (e) As per the provisions of section 115-I of the IT Act, NRIs may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing their return of income for that year under section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to them for that assessment year and accordingly, their total income for that assessment year will be computed in accordance with the other provisions of the IT Act. The said Chapter inter alia entitles NRIs to the benefits stated thereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.

3. FOREIGN INSTITUTIONAL INVESTORS (FIIs):

- (i) Dividend income referred to in section 115-O earned on shares of the Company will be exempt in the hands of shareholders under section 10(34) of the IT Act.

Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Act. Thus, any expenditure incurred to earn the said income will not be a tax deductible expenditure.
- (ii) Income arising on transfer of the shares of the Company will be exempt under section 10(38) of the IT Act if the said shares are long-term capital assets and securities transaction tax has been charged on the said transaction. These assets turn long-term if they are held for more than 12 months.
- (iii) Under section 115AD(1)(b)(iii) of the IT Act, income by way of long-term capital gains arising from the transfer of shares held in the Company not covered under point (ii) above i.e. on which no securities transaction tax is paid, will be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess).
- (iv) Short-term capital gains arising on transfer of the shares of the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the IT Act if such transaction is chargeable to securities transaction tax.
- (v) Under section 115AD(1)(b)(ii) of the IT Act, income by way of short-term capital gains arising from the transfer of shares held in the Company not covered under point (iv) above will be chargeable to tax at the rate of 30% (plus applicable surcharge and education cess).

-
- (vi) Where the transfer of shares of the company on which securities transaction tax has been charged constitutes business income of an assessee assessable under the head 'profits and gains of business or profession', such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the IT Act.
 - (vii) Under the provisions of section 90(2) of the IT Act, a FII will be governed by the provisions of the Agreement for Avoidance of Double Taxation (AADT) between India and the country of residence of the FII and the provisions of the IT Act apply only to the extent they are more beneficial to the FII.
 - (viii) As per section 196D, no tax is to be deducted from any income, by way of capital gains arising from the transfer of shares payable to Foreign Institutional Investor. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has Fiscal domicile.

4. MUTUAL FUNDS:

Under section 10(23D) of the IT Act, any income earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or a Mutual Fund set up by a public sector bank or a public financial institution, or a Mutual Fund authorised by the Reserve Bank of India would be exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

III. BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957:

- (i) 'Asset' as defined under Section 2(ea) of the Wealth-tax Act, 1957 does not include shares in companies and hence, the shares of the Company held by a shareholder are not liable to wealth-tax.

Notes:

- (i) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.
- (ii) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant AADT, if any, between India and the country in which the non-resident has fiscal domicile.
- (iii) In view of the individual nature of tax consequences, each investor is advised to consult his/ her own tax advisor with respect to specific tax consequences of his/ her participation in the scheme.
- (iv) The above statement of possible direct tax benefits set out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

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

SECTION IV – ABOUT US

HISTORY AND OTHER CORPORATE MATTERS

Our Company was incorporated on May 29, 1969 as United Phosphorous Private Limited. The name was changed to United Phosphorus Private Limited on August 22, 1983 whereby the spelling of “Phosphorous” was amended to “Phosphorus”. The name was changed to United Phosphorus Limited on February 3, 1986 pursuant to a fresh certificate of incorporation consequent to change of name. The name of our Company was then changed to “Uniphos Limited” on November 25, 1992 and was changed back to “United Phosphorus Limited” on March 30, 1993. The equity shares of our Company were listed on BSE and the Ahmedabad Stock Exchange Limited in 1986. Subsequently, the Equity Shares of our Company were listed on the NSE in 1995. Our Company was initially incorporated with the purpose of manufacturing red phosphorus. Our product range was enlarged through backward and forward integration, with the development of a range of phosphorus based agrochemicals and other speciality chemicals used in the pharmaceutical and flame retardant industry.

Pursuant to a scheme of arrangement and re-structuring in the nature of a de-merger (the “Scheme”) approved by the Hon’ble High Court of Gujarat at Ahmedabad on August 28, 2003, all the assets and liabilities pertaining to the manufacturing division of United Phosphorus Limited (“UPL”) were transferred to Search Chem Industries Limited (“SCIL”). The appointed date for the Scheme is March 1, 2003 (the “Appointed Date”).

Pursuant to the Scheme:

1. The shareholders of our Company were allotted one Equity Share of ₹ 2 each of our Company in lieu of every equity share of ₹ 10 each held by them in our Company.
2. In addition to the above, the shareholders of our Company had an option to receive either one equity share of SCIL of ₹ 10 each or 14 redeemable preference shares of SCIL of ₹ 10 each for every one equity share held by our shareholders in our Company.
3. SCIL ensured that the depository issued GDRs of SCIL to the then existing GDR holders of UPL.
4. Every fully paid-up preference shareholder of our Company received 1 preference share of SCIL of ₹ 100 each for every 1 preference share of ₹ 100 each held in our Company.
5. All legal proceedings by and against our Company as at the Appointed Date was continued and enforced by or against SCIL.
6. All contracts, deeds, bonds, agreements and other instruments subsisting as of the effective date pertaining to the manufacturing division of our Company were continued in full force and effect, by or against SCIL.
7. All staff, workmen and employees of manufacturing division of our Company as on the effective date was deemed to have become staff, workmen and employees of SCIL, with effect from the Appointed Date.
8. All assets, liabilities and obligations of our Company not pertaining to its manufacturing division continued to be vested in and managed by our Company.
9. With effect from the effective date, the name of our Company was changed to Uniphos Enterprises Limited and the name of SCIL was changed to United Phosphorus Limited.

Subsequently, on March 3, 2005, the equity shares of our Company were delisted from the Ahmedabad Stock Exchange Limited.

Major events in the history of our Company

Our Company is a part of the United Phosphorus group and was originally incorporated as United Phosphorous Private Limited and subsequently renamed as Uniphos Enterprises Limited. Pursuant to the Scheme, the manufacturing division of our Company was transferred till the year 2003 and consequently our Company undertook trading activities till the year 2006. Subsequent to 2006, our Company has been deriving income predominantly from the dividend received on investments made. We received rent income till the year 2009.

Our Main Objects

The main objects of our Company as contained in the Memorandum of Association are as set forth below:

- 1. To carry on business to manufacture, formulate, process, refine, finish, recover, extract, import, export, buy, sell, distribute or otherwise deal in Red Phosphorus, Yellow or White Phosphorus, phosphates, phosphites, phosphides, insecticides, pesticides, fungicides, fumigants, rodenticides and their formulations and/or other agricultural chemicals and fertilizers of all types.*
- 2. To manufacture, formulate, process, refine, finish, recover, extract, buy, sell, distribute and/or deal in all organic and/or inorganic chemicals, pharmaceutical, medicinal products, pharmaceuticals, cosmetics, dyes, intermediate paints, plastic resins and/or plastics.*
- 3. To manufacture, buy, sell, distribute, import, or deal in metals, alloys and amalgams.*
- 4. To carry on the business as manufacture, dealers, importers, or exporters of the formulation for the manufacture of matches, fire and/or other explosive and pyrotechnic chemicals.*
- 5. To carry on the business of manufacturer, importers, exporters, and/or dealers of chemical plants, equipments and/or accessories.*

Corporate Structure of our Company

Our Company is managed by the Board of our Company.

MANAGEMENT

As per our Articles of Association, our Company cannot have less than three or more than twelve Directors on our Board. We currently have six Directors on our Board.

The following table sets forth details regarding the Board of Directors as on the date of this Draft Letter of Offer:

| Sr. No. | Name, Father's Name, Designation, Address, Occupation, Date of Appointment, Tenure and DIN | Nationality | Age (years) | Other directorships, partnerships and trusteeships |
|---------|--|-------------|-------------|--|
| 1. | <p>Mr. Rajnikant Devidas Shroff</p> <p>S/o Mr. Devidas Shroff</p> <p>Chairman and Managing Director</p> <p>Address: 202, Parishram, Nargis Dutt Road, Pali Hill, Bandra (w), Mumbai 400050</p> <p>Occupation: Industrialist</p> <p>Date of appointment: 29 May, 1969</p> <p>Tenure: 5 years from April 1, 2010</p> <p>DIN: 00180810</p> | Indian | 78 | <p>Directorship</p> <ol style="list-style-type: none"> 1) United Phosphorus Limited 2) Uniphos Agro Industries Limited 3) Enviro Technology Limited 4) Nivi Trading Limited 5) Shroff United Chemicals Limited 6) Demuric Holdings Private Limited 7) Vyom Finvest Private Limited 8) Swal Corporation Limited 9) Sanguine Holdings Private Limited 10) Pradeep Metals Limited 11) Shroff Envirotral Private Limited 12) Bharuch Enviro Infrastructure Limited 13) Agri Net Solutions Limited 14) Association of Small and Medium Chemical Manufacturers (India) 15) Crop Care Federation of India 16) Tatva Global Environment Limited 17) Uniphos Envirotronic Private Limited 18) UPL Global Eco Investments Holdings Private Limited 19) Tatva Global Water Technologies Private Limited <p>Partner</p> <ol style="list-style-type: none"> 1) Prakriya Pharmachem 2) Urja Chemicals |
| 2. | <p>Mrs. Sandra Rajnikant Shroff</p> <p>Non Executive Vice Chairman</p> | British | 70 | <p>Directorship</p> <ol style="list-style-type: none"> 1) United Phosphorus Limited 2) Uniphos Agro Industries |

| Sr. No. | Name, Father's Name, Designation, Address, Occupation, Date of Appointment, Tenure and DIN | Nationality | Age (years) | Other directorships, partnerships and trusteeships |
|---------|---|-------------|-------------|--|
| | <p>Address: 202, Parishram, Nargis Dutt Road, Pali Hill, Bandra (w), Mumbai 400050</p> <p>Occupation: Industrialist</p> <p>Date of appointment: May 29, 1969</p> <p>Tenure: Permanent Director</p> <p>DIN: 00189012</p> | | | <p>Limited</p> <p>3) Enviro Technology Limited</p> <p>4) Nivi Trading Limited</p> <p>5) Shroff United Chemicals Limited</p> <p>6) Ventura Guaranty Limited</p> <p>7) Demuric Holdings Private Limited</p> <p>8) Shroff Envirotral Private Limited</p> <p>9) Bharuch Enviro Infrastructure Limited</p> <p>10) Vapi Waste and Effluent Management Company Limited</p> <p>11) UPL Environmental Engineers Limited</p> <p>12) Uniphos Envirotronic Private Limited</p> <p>Partner</p> <p>1) Ultima Search</p> <p>2) Sarjan Chemicals</p> <p>3) Akruti Products</p> |
| 3. | <p>Mr. Jaidev Rajnikant Shroff</p> <p>Non-Executive Director</p> <p>Address: 4/B, Summer Palace, Nargis Dutt Road, Pali Hill, Bandra (w), Mumbai 400050</p> <p>Occupation: Industrialist</p> <p>Date of appointment: 3 February, 1994</p> <p>Tenure: Liable to retire by rotation</p> <p>DIN: 00191050</p> | Indian | 46 | <p>Directorship</p> <p>1) United Phosphorus Limited</p> <p>2) Enviro Technology Limited</p> <p>3) Nivi Trading Limited</p> <p>4) Ventura Guaranty Limited</p> <p>5) Demuric Holdings Private Limited</p> <p>6) Shroff Envirotral Private Limited</p> <p>7) Bharuch Enviro Infrastructure Limited</p> <p>8) Hardstone Properties Private Limited</p> <p>9) Magnus Properties Private Limited</p> <p>10) Tatva Global Environment Limited</p> <p>11) Isar Builders and Developers Private Limited</p> <p>12) UPL Environmental Engineers Limited</p> <p>13) Shivalik Solid Waste Management Limited</p> |

| Sr. No. | Name, Father's Name, Designation, Address, Occupation, Date of Appointment, Tenure and DIN | Nationality | Age (years) | Other directorships, partnerships and trusteeships |
|---------|--|-------------|-------------|---|
| | | | | <p>14) Asia Society India Center 15) Entrust Environment Limited 16) Advanta India Limited 17) Nirlon Limited 18) Heline Environment Private Limited 19) Praskand Environment Private Limited 20) Khagay Environment Private Limited 21) Khaline Environment Private Limited 22) Sharvak Environment Private Limited 23) Force Aviation Private Limited 24) Latur Water Supply Management Co. Limited 25) Tatva Global Environment (Deonar) Limited 26) Tatva Clean Tech Private Limited</p> <p>Partner</p> <p>1) Ultima Search 2) Prakriya Pharmachem 3) Sarjan Chemicals</p> |
| 4. | <p>Mr. Arun Chandrasen Ashar</p> <p>Independent Director</p> <p>Address: Muktangan, 10th Floor, Sarojini Road, Santacruz (w), Mumbai 400054</p> <p>Occupation: Chartered Accountant</p> <p>Date of appointment: 28 February, 1992</p> <p>Tenure: Liable to retire by rotation</p> <p>DIN: 00192088</p> | Indian | 62 | <p>Directorship</p> <p>1) United Phosphorus Limited 2) Vyom Finvest Private Limited 3) Sanguine Holdings Private Limited 4) R. Shroff Consultants Private Limited 5) Equator Holdings Private Limited 6) Agri Net Solutions Limited 7) Daman Ganga Paper and Pulp Private Limited 8) Enviro Technology Limited 9) Bharuch Enviro Infrastructure Limited 10) Tatva Global Environment Limited 11) UPL Environmental Engineers Limited 12) Shivalik Solid Waste Management Limited 13) Tatva Global Environment</p> |

| Sr. No. | Name, Father's Name, Designation, Address, Occupation, Date of Appointment, Tenure and DIN | Nationality | Age (years) | Other directorships, partnerships and trusteeships |
|---------|---|-------------|-------------|---|
| | | | | (Deonar) Limited 14) Sharvak Environment Limited 15) Entrust Environment Limited 16) Latur Water Supply Management Company Limited 17) Coimbatore Integrated Waste Management Company Private Limited 18) Gharpure Engineering and Construction Private Limited 19) Kerala Enviro Infrastructure Limited 20) Aklalies Manufacturers Association 21) Tatva Global Renewable Energy Company Private Limited 22) Tatva Clean Tech Private Limited |
| 5. | Mr. Pradeep Goyal Independent Director Address: 171/172, Tower A, Kalpataru Horizan, S K Ahire Marg, Mumbai 400018 Occupation: Business Date of appointment: 29 March, 2001 Tenure: Liable to retire by rotation DIN: 00008370 | Indian | 55 | Directorship 1) Pradeep Metals Limited 2) SV Shah Construction Private Limited 3) United Phosphorus Limited 4) Hind Rectifiers Limited 5) Entegra Limited 6) Janakalyan Sahakari Bank Limited 7) B.S. Metal Private Limited |
| 6. | Mrs. Swati Sandesh Mayekar Independent Director Address: 218, Madhusheela, Homi Bhabha Road, Bandra West, Mumbai 400050 Occupation: Business Date of appointment: 28 January, 2010 | Indian | 54 | Directorship 1) Prodigy Finvest Private Limited 2) Encode Advanced Dentistry Private Limited Proprietor Swati S Mayekar Associates |

| Sr. No. | Name, Father's Name, Designation, Address, Occupation, Date of Appointment, Tenure and DIN | Nationality | Age (years) | Other directorships, partnerships and trusteeships |
|---------|--|-------------|-------------|--|
| | Tenure: Liable to retire by rotation DIN: 00245261 | | | |

Further, Directors of our Company do not hold current and past directorship(s) for a period of five years in listed companies whose shares have been or were suspended from being traded on the Bombay Stock Exchange Limited or the National Stock Exchange of India Limited or in listed companies who have been / were delisted from stock exchanges.

Relationship between Directors inter-se

| Name of the Directors | Relationship between Directors |
|-------------------------|--|
| Mr. Rajnikant D. Shroff | Mr. Rajnikant D. Shroff is the husband of Mrs. Sandra R. Shroff and the father of Mr. Jaidev R. Shroff |
| Mrs. Sandra R. Shroff | Mrs. Sandra R. Shroff is the wife of Mr. Rajnikant D. Shroff and the mother of Mr. Jaidev R. Shroff |
| Mr. Jaidev R. Shroff | Mr. Jaidev R. Shroff is the son of Mr. Rajnikant D. Shroff and Mrs. Sandra R. Shroff |

Except as stated above, none of the other Directors are related to each other.

Brief biography of our Directors

Mr. Rajnikant Devidas Shroff is our Promoter, our Chairman and Managing Director. He holds a bachelors' degree in chemistry from Bombay University, has completed a Company Management Programme from Harvard University and a course in Chemical Plant Design and Layout. He has over 40 years of experience in the chemical and agro chemicals industry. In 1956, he became the first Indian to establish a chemical factory in the United Kingdom. He was awarded the President's Gold Shield, India's highest award for development of technology, in 1972 and an award for Research and Development in environmental matters from the Department of Industrial and Scientific Research in 2007. Mr. Shroff has established the Vapi Industries Association, the Sandra Shroff Nursing College as well as serving for 6 years on the Board of the Gujrat Industrial Development Corporation.

Mrs. Sandra Rajnikant Shroff is our promoter and the Vice-Chairman of the Board of Directors. She is a Senior Cambridge by education. She is the president of the Burns Association of India. She represents the agrochemical industry at various forums. She is also a member of the Indian Chemical Manufacturers' Association and the Federation of Indian Exporters.

Mr. Jaidev Rajnikant Shroff is our promoter and a non-executive director of our Company. He holds a bachelor's degree in chemistry from the University of Mumbai. He has over 20 years of experience within the group. He has been ranked 38th by ICIS Chemical Business in a ranking of the 40 most influential figures in chemicals industry worldwide.

Mr. Arun Chandrasen Ashar is an independent director of our Company. He is a qualified chartered accountant. He is a Fellow of the Institute of Chartered Accountants of India. He has almost four decades of experience in finance.

Mr. Pradeep Goyal is an independent director of our Company. He holds a bachelors' degree in technology in metallurgy from the Indian Institute of Technology, Kanpur and a degree in Material Sciences and Engineering from the Massachusetts Institute of Technology. He was awarded the first rank in Metallurgy from the President of India and the Vidya Bharati Medal from the Indian Institute of Metals. He has over over 25 years of experience in the industry. He has served with institutions such as the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce and Industry of India and the Indo-German Chamber of Commerce. He has been the Chairman and Managing Director of Pradeep Metals Limited since 1984 and was a Senior Development Engineer in Air Products and Chemicals Inc., USA from 1980 to 1983.

Ms. Swati Sandesh Mayekar is an independent director of our Company. She is a member of the Institute of Chartered Accountants of India and an Associate Member of Institute of Company Secretaries of India. She holds a bachelors' degree in general laws. She was a partner with M/s Kanu Doshi Associates, Chartered Accountants from 1979 to 1984. Subsequently, she was associated with M/s Khatau Bros. Ltd., Mumbai till 1986.

As of date of this Draft Letter of Offer, there are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of our Directors were selected as a director or member of senior management.

There is no service contracts entered into by the Directors with our Company providing for benefits upon termination of employment.

KEY INDUSTRY REGULATIONS

The objects of the Issue are to be utilized for the repayment of loan and general corporate purposes. There are no regulations applicable for undertaking the proposed objects.

SECTION V – FINANCIAL INFORMATION

| Particulars | Page No. |
|--|-----------------|
| • Report of auditors | 36 |
| a. Summary Statement of Audited Assets & Liabilities as at March 31, 2010 | 38 |
| b. Summary Statement of Audited Profit and Loss Account for the year ended March 31, 2010 | 38 |
| c. Summary Statement of Assets & Liabilities as at September 30, 2010 – based on Limited Review Report | 40 |
| d. Summary Statement of Profit and Loss Account for the year ended September 30, 2010 – based on Limited Review Report | 40 |
| • Significant Accounting Policies of the Company | 42 |
| • Certain Other Financial Information of the Company | 45 |
| • Principal terms of loans and assets charged as security | 46 |

REPORT OF AUDITORS

The Board of Directors
Uniphos Enterprises Limited
Uniphos House, Madhu Park
11th Road, Khar (West)
Mumbai – 400 052
India

Dear Sirs,

1. We have examined the attached Summary Statement of Assets and Liabilities as at March 31, 2010, and of the Profit or Loss for the year then ended and Summary Statement of Assets and Liabilities as at September 30, 2010 and the Profit or Loss for the six months period then ended, of Uniphos Enterprises Limited (the “Company”), prepared by the Company and signed by us for identification, and annexed to this report (hereinafter referred to as the “Statements”) for the purposes of inclusion in the offer document prepared by the Company in connection with its proposed Rights Issue of equity shares (“Rights Issue”). The Statements have been prepared under the requirements of Section (X) of Part E of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
2. At the request of the Company, we have examined the financial information contained in the Statements, in accordance with the Guidance Note (Revised) on Reports in Company Prospectuses and the Guidance Note on Audit Reports and Certificates for Special purposes issued by the Institute of Chartered Accountants of India.

The Company proposes to make an issue of equity shares of face value of ₹ 2 each for the amount not exceeding ₹7,500 lakhs on rights basis to the existing shareholders of the Company.

3. We report that we have traced and agreed the amounts appearing in the attached Statements from the audited financial statements of the Company for the year ended March 31, 2010, in respect of which we had issued our auditors’ opinion dated April 29, 2010 and from the information in respect of the six-month period ended September 30, 2010, included in the unaudited financial results for the three month period ended September 30, 2010 prepared in accordance with clause 41 of the Listing Agreement and approved by the Board of Directors of the Company on October 26, 2010, in respect of which we had issued limited review report dated October 26, 2010.

As stated in foot note to the statements, the comparative figures for the previous period/year have not been presented.

4. We have not audited any financial statements of the Company as of any date or for any period subsequent to March 31, 2010. We have also not reviewed any financial results for any period subsequent to September 30, 2010. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports or review report issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
5. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed rights issue of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.V. GHATALIA & ASSOCIATES
Firm registration number: 103162W
Chartered Accountants

Sd/-

per Pramod Kumar Bapna
Partner
Membership No.: 105497

Place: Mumbai
Date: December 23, 2010

Summary Statement of Assets and Liabilities as at March 31, 2010 and Profit and Loss for the financial year ended March 31, 2010

Amount – ₹Lacs

| A. Summary statement of Assets & Liabilities as at March 31, 2010 | | |
|--|---|--|
| Particulars | | As at 31.03.2010 (Audited) |
| SHAREHOLDERS' FUNDS: | | |
| (a) Capital | | 509.49 |
| (b) Reserves and Surplus | | 5,167.80 |
| LOAN FUNDS | | 7,420.00 |
| Total | | 13,097.29 |
| FIXED ASSETS | | |
| | | 2,872.74 |
| INVESTMENTS | | |
| | | 7,754.33 |
| DEFERRED TAX ASSETS | | |
| | | 0.44 |
| CURRENT ASSETS, LOANS AND ADVANCES: | | |
| (a) Inventories | | - |
| (b) Sundry Debtors | | - |
| (c) Cash and Bank balances | | 373.81 |
| (d) Other current assets | | - |
| (e) Loans and Advances | | 2,201.12 |
| Less: Current Liabilities and Provisions | | |
| (a) Liabilities | | (105.15) |
| (b) Provisions | | |
| Total | | 13,097.29 |
| B. Summary statement of Profit and Loss for the year ended March 31, 2010 | | |
| | Particulars | Year Ended 31.03.10 (Audited) |
| 1 | a) Net Sales/Income from Operations | - |
| | b) Other Operating Income | - |
| 2 | Expenditure | |
| | a) Increase/decrease in stock in trade and work in progress | - |
| | b) Consumption of raw materials | - |
| | c) Purchase of traded goods | - |
| | d) Employees cost | 20.61 |
| | e) Depreciation | 19.58 |
| | f) Other expenditure | 133.87 |
| | g) Total | 174.06 |
| 3 | Profit from Operations before Other Income, Interest and Exceptional Items (1-2) | (174.06) |
| 4 | Other Income | 396.44 |
| 5 | Profit before Interest and Exceptional Items (3+4) | 222.38 |
| 6 | Interest | 638.99 |
| 7 | Profit after Interest but before Exceptional Items (5-6) | (416.61) |
| 8 | Exceptional items | 2,736.10 |
| 9 | Profit (+)/ Loss (-) from Ordinary Activities before tax (7+8) | 2,319.49 |
| 10 | Tax expense | 335.00 |
| 11 | Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10) | 1,984.49 |
| 12 | Extraordinary Item (net of tax expense) | - |
| 13 | Net Profit(+)/ Loss(-) for the period (11-12) | 1,984.49 |
| 14 | Paid-up equity share capital | 509.49 |

| | | |
|-----------|---|-------------|
| | (Face Value - ₹ 2.00 per share) | |
| 15 | Earnings Per Share (EPS) (₹) | |
| | a) Basic and diluted EPS before Extraordinary items for the period and for the previous year. | 7.79 |
| | b) Basic and diluted EPS after Extraordinary items for the period and for the previous year. | 7.79 |

Signed for Identification by

Sd/-

S.V. Ghatalia & Associates

Summary Statement of Assets and Liabilities as at March 31, 2010 and Profit and Loss for the year ended March 31, 2010

C. Notes :

The above summary financial statements are without the comparative figures for the corresponding period / year as the same are already available in public domain either on Stock Exchange websites or on the official website of the Company (uelonline.com) and hence as per the Company's view, the same is not required to be presented in terms of SEBI ICDR Regulations.

For and on behalf of the Board of Directors
of Uniphos Enterprises Limited

Sd/-

R. D. Shroff
Chairman and Managing Director
Place : Mumbai
Dated : December 23, 2010

Signed for Identification by

Sd/-

S.V. Ghatalia & Associates

Summary Statement of Assets and Liabilities as at September 30, 2010 and Profit and Loss for the six months period ended September 30, 2010

Amount – ₹Lacs

| A. Summary statement of Assets & Liabilities as at September 30, 2010 | | |
|--|---|--|
| Particulars | | As at 30.09.2010 (Unaudited) |
| SHAREHOLDERS' FUNDS: | | |
| (a) Capital | | 509.49 |
| (b) Reserves and Surplus | | 5,301.75 |
| LOAN FUNDS | | 7,025.74 |
| TOTAL | | 12,836.98 |
| FIXED ASSETS | | |
| | | 2,872.59 |
| INVESTMENTS | | |
| | | 7,751.45 |
| DEFERRED TAX ASSETS | | |
| | | 0.44 |
| CURRENT ASSETS, LOANS AND ADVANCES: | | |
| (a) Inventories | | - |
| (b) Sundry Debtors | | - |
| (c) Cash and Bank balances | | 158.54 |
| (d) Other current assets | | - |
| (e) Loans and Advances | | 2,085.38 |
| Less: Current Liabilities and Provisions | | |
| (a) Liabilities | | (31.42) |
| (b) Provisions | | |
| Total | | 12,836.98 |
| B. Summary statement of Profit and Loss for the six months ended September 30, 2010 | | |
| | Particulars | Six Months ended 30.09.10 (Unaudited) |
| 1 | a) Net Sales/Income from Operations | - |
| | b) Other Operating Income | - |
| 2 | Expenditure | |
| | a) Increase/decrease in stock in trade and work in progress | - |
| | b) Consumption of raw materials | - |
| | c) Purchase of traded goods | - |
| | d) Employees cost | 11.48 |
| | e) Depreciation | 3.03 |
| | f) Other expenditure | 66.75 |
| | g) Total | 81.26 |
| 3 | Profit from Operations before Other Income, Interest and Exceptional Items (1-2) | (81.26) |
| 4 | Other Income | 499.70 |
| 5 | Profit before Interest and Exceptional Items (3+4) | 418.44 |
| 6 | Interest | 284.50 |
| 7 | Profit after Interest but before Exceptional Items (5-6) | 133.94 |
| 8 | Exceptional items | - |
| 9 | Profit (+)/ Loss (-) from Ordinary Activities before tax (7+8) | 133.94 |
| 10 | Tax expense | - |
| 11 | Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10) | 133.94 |
| 12 | Extraordinary Item (net of tax expense) | - |
| 13 | Net Profit(+)/ Loss(-) for the period (11-12) | 133.94 |
| 14 | Paid-up equity share capital | 509.49 |

| | | |
|-----------|--|-------------|
| | (Face Value - ₹ 2.00 per share) | |
| 15 | Earnings Per Share (EPS) (₹) | |
| | a) Basic and diluted EPS before Extraordinary items for the period and for the previous year | 0.53 |
| | b) Basic and diluted EPS after Extraordinary items for the period and for the previous year | 0.53 |

Signed for Identification by

Sd/-

S.V. Ghatalia & Associates

C. Notes :

The above summary financial statements are without the comparative figures for the corresponding period / year as the same are already available in public domain either on Stock Exchange websites or on the official website of the Company (uelonline.com) and hence as per the Company's view, the same is not required to be presented in terms of SEBI ICDR Regulations.

For and on behalf of the Board of Directors
of Uniphos Enterprises Limited

Signed for Identification by

Sd/-

Sd/-

S.V. Ghatalia & Associates

R. D. Shroff
Chairman and Managing Director
Place : Mumbai
Dated : December 23, 2010

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting:

- (i) The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis. The accounting policies have been consistently applied by the Company are consistent with those used in the previous year.
- (ii) Financial statements are based on historical cost.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed Assets and Depreciation:

- (i) Fixed Assets are stated at cost less depreciation.
- (ii) Depreciation

Depreciation has been provided:

- (1) On written down value basis in accordance with Section 205(2)(a) of the Companies Act, 1956 at the rates specified in Schedule XIV to the Companies Act, 1956.
- (2) Assets costing ₹ 5,000 or less have been depreciated at the rate of 100%.
- (3) In respect of additions to/deletions from the Fixed Assets, on pro-rata basis with reference to the month of addition/deletion of the Assets.

(iii) Impairments :

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount.

(d) Inventories:

Traded goods are valued at lower of cost or net realisable value.

(e) Investments:

Long-term investments are carried at cost of acquisition, except for the transfer of current investment to long term investment which is carried at the lower of cost and fair value at the date of transfer, and the resultant difference is recognised in the profit and loss account. However, the carrying amount is reduced to recognise a decline, other than temporary, in the value of long-term investments by a charge to the profit and loss account.

(f) Foreign Currency Transactions:

Transactions in foreign currency are recorded by applying the exchange rate at the date of the transaction. Monetary items denominated in foreign currency remaining unsettled at the end of the year, are translated at the closing rates, prevailing on the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account except for exchange differences arising on a monetary item which, in substance, form part of the Company's net investment in a non-integral foreign operation which is accumulated in a Foreign Currency Translation Reserve until the disposal of the net investment. Exchange difference arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(g) Borrowing Costs:

Interest and other costs incurred for acquisition of qualifying assets, upto the date of commissioning / installation, are capitalised as part of the cost of the said assets.

(h) Grants, Subsidies received:

Government grants / subsidies in the nature of promoters' contribution, given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay, are treated as capital reserve. Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured

- Dividends: Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.
- Rent: Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term or as per the terms of contract.

(j) Taxation:

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by the same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported

by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(k) Provisions:

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an obligation of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet and adjusted to reflect the current best estimates.

(l) Earning Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(m) Cash and cash equivalents

Cash and cash equivalents for the purpose of Cash flow statement comprise of cash at bank and in hand and short term investments with an original maturity of three months or less.

Note: There has been no change in the accounting policies during the last completed accounting year for which the audit has been completed.

CERTAIN OTHER FINANCIAL INFORMATION

In accordance with circular no. F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977 and in accordance with sub-item (B) of item X of Part E of the SEBI Regulations, the information required to be disclosed for the period between the last date of financial statements provided to the shareholders and the date preceding one month from the date of Draft Letter of Offer is provided below:

1. Working Results of our Company for the period from 1 April 2010 to November 30, 2010

| Sr.No. | Particulars | Amount (₹ in Lacs) |
|---------------|----------------------------|---------------------------|
| 1. | Sales / turnover | 0.00 |
| 2. | Other income | 499.70 |
| 3. | Total income | 499.70 |
| 4. | PBIDT | 409.72 |
| 5. | Interest & Finance Charges | 387.45 |
| 6. | Provision for Depreciation | 4.05 |
| 7. | Provision for Tax | 0.00 |
| 8. | Profit /(Loss) after Tax | 18.22 |

2. Material changes and commitments, if any, affecting the financial position of our Company

In the opinion of our Board, there have not arisen since the date of the last financial statements disclosed in this Draft Letter of Offer, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our assets or our ability to pay our material liabilities within the next 12 months otherwise than as disclosed in this Draft Letter of Offer which will impact our performance and prospects.

PRINCIPAL TERMS OF THE LOAN AND ASSETS CHARGED AS SECURITY

A. Term Loan

Name of the Lending Bank/ Financial Institution: YES Bank Limited, Nehru Centre, 9th Floor, Discovery of India, Dr. Annie Besant Road, Worli, Mumbai – 400018

| | |
|--------------------------------------|--|
| Nature of Loan Facility | Revolving Short Term Loan |
| Amount Sanctioned | ₹8,000.00 lacs |
| Rate of Interest | 8.80% p.a. |
| Amount outstanding as on date | ₹7,000.00 lacs |
| Sanction details | Letter no. YBL/MUM/FL/1464/2009-10 dated March 18, 2010 duly renewed pursuant to a letter dated December 23, 2010 |
| Tenure | 90 days renewable at request |
| Security | Exclusive charge on current assets and letter of awareness from United Phosphorous Limited, one of our Group Company |
| Purpose | Working Capital |

B. Inter-corporate Deposits

1. Name of the lending company: N.H.Harsora Limited, Dr. Hakim's Wadi, Behind Super Cinema, Harsora Centre, Grant Road, Mumbai – 400007

| | |
|--------------------------------------|---------------------------|
| Nature of facility | Loan racallable on demand |
| Amount Sanctioned | ₹20 Lacs |
| Rate of Interest | Interest free |
| Amount outstanding as on date | ₹20 Lacs |
| Sanction details | Not applicable |
| Tenure | Loan racallable on demand |
| Security | Nil |
| Purpose | Working capital |

2. Name of the lending company: United Phosphorus Limited, Uniphos House, Madhu Park, 11 th Road, Khar (W), Mumbai - 400052

| | |
|--------------------------------------|---------------------------|
| Nature of facility | Loan racallable on demand |
| Amount sanctioned | ₹5.74 Lacs |
| Rate of Interest | 13% |
| Amount outstanding as on date | ₹5.74 Lacs |
| Sanction details | Not applicable |
| Tenure | Loan racallable on demand |
| Security | Nil |
| Purpose | Working capital |

MARKET PRICE INFORMATION

The equity shares of our Company were listed on BSE and the Ahmedabad Stock Exchange Limited in 1986. Subsequently, our Company was listed on the NSE in 1995. On March 3, 2005, the Equity Shares were delisted from the Ahmedabad Stock Exchange.

The high, low and average market prices of the Equity Shares during the preceding three years were recorded, as stated below:

| BSE | | | | | | | |
|------|--------------|----------|--|-------------|---------|---------------------------------------|-------------|
| Year | Date of High | High (₹) | Volume on date of High (No. of Shares) | Date of Low | Low (₹) | Volume on Date of low (No. of Shares) | Average (₹) |
| 2007 | September 21 | 63.15 | 2,56,239 | March 8 | 25.05 | 22,011 | 39.18 |
| 2008 | January 7 | 68.90 | 58,801 | December 3 | 13.88 | 692 | 36.75 |
| 2009 | September 22 | 38.00 | 71,420 | January 28 | 12.01 | 346 | 22.79 |

(Source: www.bseindia.com)

| NSE | | | | | | | |
|------|--------------|----------|--|-------------|---------|---------------------------------------|-------------|
| Year | Date of High | High (₹) | Volume on date of High (No. of Shares) | Date of Low | Low (₹) | Volume on Date of low (No. of Shares) | Average (₹) |
| 2007 | September 21 | 63.00 | 1,11,449 | March 8 | 26.00 | 15,260 | 39.24 |
| 2008 | January 7 | 70.30 | 28,068 | November 5 | 14.00 | 885 | 37.36 |
| 2009 | September 22 | 38.20 | 57,354 | February 6 | 12.30 | 300 | 23.54 |

(Source: www.nseindia.com)

Notes

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

Monthly high and low prices and trading volumes on the Stock Exchanges for the six months preceding the date of filing of the Draft Letter of Offer is as stated below:

| BSE | | | | | | | |
|----------------|------|----------|------------------------|------------------|---------|------------------------|-------------|
| Month | Date | High (₹) | Volume (No. of Shares) | Date | Low (₹) | Volume (No. of Shares) | Average (₹) |
| June 2010 | 24th | 36.00 | 13,63,972 | 7 th | 30.10 | 17,810 | 32.67 |
| July 2010 | 22nd | 38.45 | 2,40,581 | 20 th | 32.55 | 9,426 | 34.26 |
| August 2010 | 17th | 37.20 | 97,182 | 4 th | 33.15 | 19,885 | 35.09 |
| September 2010 | 14th | 35.90 | 9,052 | 21 st | 32.50 | 18,863 | 34.03 |
| October 2010 | 29th | 55.65 | 14,19,599 | 5 th | 33.00 | 13,804 | 37.21 |
| November 2010 | 1st | 61.15 | 5,47,858 | 30 th | 40.65 | 10,619 | 50.31 |

(Source: www.bseindia.com)

| NSE | | | | | | | |
|----------------|------|----------|------------------------|------------------|---------|------------------------|-------------|
| Month | Date | High (₹) | Volume (No. of Shares) | Date | Low (₹) | Volume (No. of Shares) | Average (₹) |
| June 2010 | 30th | 35.75 | 65,780 | 8 th | 30.60 | 18,390 | 32.63 |
| July 2010 | 8th | 39.80 | 4,807 | 19 th | 31.50 | 8,755 | 34.20 |
| August 2010 | 16th | 36.90 | 16,625 | 4 th | 33.10 | 4,576 | 35.12 |
| September 2010 | 14th | 42.00 | 2,939 | 21 st | 31.15 | 12,251 | 34.11 |
| October 2010 | 29th | 56.20 | 19,91,709 | 1 st | 32.50 | 31,234 | 37.23 |
| November 2010 | 1st | 61.85 | 10,13,968 | 30 th | 40.75 | 7,014 | 50.29 |

(Source: www.nseindia.com)

Notes

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

The closing prices of Equity Shares as on December 24, 2010 (the trading day immediately following the day on which the resolution of the executive committee of the Board was passed approving the Rights Issue) on BSE and the NSE were ₹ 39.60 and ₹ 39.05, respectively.

- a. The week end closing prices of the Equity Shares for last four weeks on BSE and NSE are provided in the table below:

| Week ended on | Closing Price (In ₹) | |
|-------------------|----------------------|-------|
| | BSE* | NSE** |
| December 3, 2010 | 41.20 | 41.15 |
| December 10, 2010 | 35.95 | 35.50 |
| December 16, 2010 | 37.05 | 37.10 |
| December 24, 2010 | 39.60 | 39.05 |

*Source: www.bseindia.com

** Source: www.nseindia.com

- b. The highest and lowest prices of the Equity Shares on BSE and NSE for last four weeks are provided in the table below:

| Name of the stock exchange | Highest (In ₹) | Date | Lowest (In ₹) | Date |
|----------------------------|----------------|------------------|---------------|-------------------|
| BSE | 47.60 | December 2, 2010 | 35.00 | December 10, 2010 |
| NSE | 47.25 | December 2, 2010 | 35.00 | December 10, 2010 |

The Company has filed its unaudited financial results for the three months ended September 30, 2010 with the Stock Exchanges in accordance with the requirements under the Listing Agreement.

The Issue Price of ₹ [•]/- has been arrived at by our Company in consultation with the Lead Manager.

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

Significant accounting ratios

| Particulars | Six months period ended September 30, 2010 | Year ended March 31, 2010 |
|--|---|------------------------------|
| a) Earnings Per Share and Diluted Earnings Per Share, pre-issue, for the last three years | | |
| Basic Earning per share* | 0.53 | 7.79 |
| Diluted Earning per share* | 0.53 | 7.79 |
| (b) Return on Net Worth (%) * | 2.30 | 34.95 |
| (c) Net Asset Value per share based on last balance sheet. | 22.81 | 22.29 |
| (d) Weighted Average and outstanding no. of Equity Shares during the year/period used for: | | |
| Basic Earning per share | 25,474,670 | 25,474,670 |
| Diluted Earning per share | 25,474,670 | 25,474,670 |
| (e) Net Profit/Loss Account (₹ in lacs) | 133.94 | 1,984.49 |
| (f) Net Worth at the end of the year / period (₹ in lacs) | 5,811.24 | 5,677.30 |

* September 30, 2010 figures are not annualised

Notes:

The ratios have been computed as below:

| | |
|---|---|
| Basic Earning per Share: | Net Profit after tax/Weighted Average no. of Equity Shares outstanding during the year or period |
| Diluted Earning per share: | Net Profit after tax/Weighted Average no. of Equity Shares outstanding during the year or period |
| Return on Net Worth (%): | Net Profit after tax/Net Worth at the end of the year or period |
| Net Asset Value per share based on last balance sheet: | Net Worth at the end of the year or period/Number of equity shares outstanding at the end of the year or period |

Capitalisation Statement*(₹ in lacs)*

| Particulars | Pre-Issue as at September 30, 2010 | As adjusted for issue* |
|--------------------------------------|---|-----------------------------------|
| Secured Loan | | |
| Short Term Loan from Bank | 7,000.00 | Nil |
| Unsecured Loans | | |
| Short term loans from Companies | 25.74 | 25.74 |
| Total Debt (A) | 7,025.74 | 25.74 |
| Shareholders' Funds | | |
| Share capital | 509.49 | [•] |
| Reserves and surplus | 5,301.75 | [•] |
| Total Shareholders' funds (B) | 5,811.24 | 13,311.24 |
| Debt/Equity (A/B) | 1.21 | 0.002 |

* Will be filled in at the time of Letter of Offer

Notes:

The figures disclosed above are based on the unaudited financial statements as at for the six months period ended September 30, 2010 of Uniphos Enterprises Limited

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

All pending matters involving our Company which, if they result in an adverse outcome would materially and adversely affect our operations or our financial position, have been disclosed in this section.

There are no matters which are pending or which have arisen in the immediately preceding ten years, which have not been transferred to UPL, formerly Search Chem Industries Limited, pursuant to the Scheme of Amalgamation, involving:

- (1) Issues of moral turpitude or criminal liability on the part of our Company
- (2) Material violations of statutory regulations by our Company
- (3) Economic offences where proceedings have been initiated against our Company.

In terms of Part E of Schedule VIII of SEBI Regulations, which sets out disclosure requirements the purpose of inclusion in the letter of offer, the following materiality tests have been applied for disclosure of litigations involving our Company:

1.1 For the outstanding litigations which may not have any impact on our future revenues:

- (a) Where the aggregate amount involved in such individual litigation exceeds one per cent of the net worth of our Company as per last completed financial year; or
- (b) Where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in single case individually may not exceed one per cent of the net worth of our Company as per the last completed financial year.

1.2 For the outstanding litigations which may have any impact on the future revenues:

- (a) Where the aggregate amount involved in such individual litigation is likely to exceed one per cent of the total revenue of our Company as per last completed financial year; or
- (b) Where the decision in one case is likely to affect the decision in similar cases, even though the amount involved in single case individually may not exceed one per cent of the total revenue of our Company, if similar cases put together collectively exceed one per cent of total revenue of our Company as per last completed financial year.

I. Pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of our Company:

1. Appeals filed by our Company before the State Consumer Disputes Redressal Forum at Mumbai.

Our Company has filed four appeals before the State Consumer Disputes Redressal Commission at Mumbai against Manohar (Appeal no. 880 of 2007 in Complaint No: 313 of 2006), Vitthal Yeshwant Wankhede and another (Appeal no. 882 of 2007 in Complaint no. 315 of 2006), Ramrao Bansode (Appeal no. 881 of 2007 in Complaint no. 315 of 2006) and Kisan Bansode (Appeal no. 883 of 2007 in Complaint no. 316 of 2006) (individually referred to as “Respondent”). The facts of the four appeals and the amounts involved therein are the same and are as follows:

On December 22, 2005, the Respondent purchased seeds from Vijay Beej Masonry Stores, which were marketed by our Company. On allegedly not achieving the desired results, the Respondent

filed a complaint with the District Consumer Redressal Forum, Aurangabad (“**Forum**”), the Blocked Development Officer and the Jilla Parishad. The Forum relied on a report of the Agriculture Development Officer and passed an order in the captioned matter on May 19, 2007 (“**Order**”), awarding a compensation of ₹ 1,41,075/- to the Respondent. Our Company appealed against the Order before the State Consumer Disputes Redressal Commission at Mumbai (“**Commission**”) in August 2007 (“**Appeal**”) by challenging the Order on the grounds that the same is contrary to legal principles, is misconceived, untenable and is contrary to the provisions of the Consumer Protection Act, 1986. Our Company has stated that the seeds must be sent to a laboratory for testing and that the report of the Agriculture Development Officer was prepared without following the norms prescribed under law and hence should not have been relied upon by the Forum. The Appeal is currently pending.

2. *Appeal filed by Rajendra Girase against our Company before the State Consumer Dispute Redressal Commission, Aurangabad Bench*

Rajendra Girase filed a consumer complaint against our Company before the District Consumer Dispute Redressal Forum, Aurangabad (“**Forum**”) alleging that the papai seeds purchased from Chetan Krishi Seva Kendra which were produced and marketed by our Company were below expectation. The Forum passed an order (“**Award**”) directing our Company to pay a sum of ₹ 52,550/- as compensation and ordered compliance within 30 days from the receipt of the order. The Complainant refused to accept the compensation and filed an Appeal (No.1302 of 2007 in Complaint No.75 of 2007) challenging the Order before the State Consumer and Dispute Redressal Commission, Aurangabad Bench in October 2007. The appeal is currently pending before the State Consumer Disputes Redressal Commission.

II. Tax litigations involving our Company

Please read the following disclosure of tax litigations involving our Company in conjunction with the table on contingent liability given at the end of this chapter.

1. Our Company has filed an appeal with the High Court of Gujarat against an Order of the Income Tax Appellate Tribunal (“**ITAT**”) for the assessment year 1992-1993.

Our Company has appealed as to whether the ITAT was right in law holding that the alleged income from Advance License Benefit receivable is taxable in the year under consideration even though the said income has accrued to our Company in the subsequent years and whether the ITAT was correct in holding that the premium paid for the leasehold land is not revenue expenditure and not allowable. Our Company has also challenged whether the ITAT was correct in holding that the premium of leasehold land cannot be allowed on proportionate basis spread over the period of lease which is totally contrary to the decision of Supreme Court in the case of Madras Industrial Investment Corporation Limited v CIT (225 ITR 802).

The matter is currently pending.

2. Our Company has filed an appeal with the Income Tax Appellate Tribunal (“**ITAT**”) against order dated January 21, 1997 passed by CIT- I, Surat for the assessment year 1993-1994. The Company has challenged due to:

- a. Inclusion of the Advance License Benefit amounting to ₹ 5,46,20,751/- in the total income on the ground that no income had accrued to our Company until imports were made and raw materials were consumed in the subsequent year.
- b. Not allowing the claim in respect of deduction of a sum of ₹ 22,88,579/- paid to Gujarat Industrial Development Corporation as premium on lease hold.
- c. Not allowing the deduction in respect of the ₹ 8,07,600/- being the payment of stamp duty for transfer of rights in the lease hold land on the ground that expenses were

-
- incurred as a consequences of the scheme of amalgamation of a company with our Company and not for purpose of raising authorized share capital and conducting survey and expenditure was in the nature of revenue and not capital.
- d. Rejection by the CIT of Company's claim for deduction in respect of a sum of ₹ 42,911/- representing miscellaneous expenses for facilitating the use of leasehold land as the expenses constituted revenue expenditure eligible for deduction under section 37 (1), ITA.
 - e. Disallowing a sum of ₹ 4,60,500/-, representing a registration fee and stamp duty for increase in authorized capital as expenditure did not represent capital expenditure, it represented revenue expenditure.
 - f. Allowing depreciation in respect of items of plant and machinery costing less than ₹ 5000 each at ₹ 97,311/- as against ₹ 7,78,490/- on the grounds that depreciation in respect of full amount ought to have been allowed as per the first proviso to section 32 (1) (ii), ITA and each item of addition constituted plant and machinery on which 100% depreciation is eligible since cost did not exceed ₹ 5,000/-.
 - g. Upholding of the action of Deputy Commissioner in considering the claim of depreciation as per revised statement of depreciation submitted by the Deputy Commissioner, as depreciation was eligible on the higher written down value without considering the deduction of interest capitalized in the assessment year 1992-93 (claim for deduction of interest capitalized had not been allowed as a deduction).
 - h. Upholding of the action of Deputy Commissioner, in allowing the deductions under section 80 I/ IA after deducting depreciation eligible under section 32 on the ground that deduction under section 80 I and section 80 IA ought to have been allowed on the profits of the concerned undertakings without deducting the depreciation eligible under section 32 in view of the fact that depreciation under section 32 is eligible on the basis of the block assets for our Company as a whole and not in respect of individual assets of the concerned industrial undertakings and accordingly depreciation cannot be allocated to the different industrial undertakings as per the scheme of the Income Tax Act, 1961 in respect of allowance depreciation of the concept of block of assets.
 - i. Upholding of the action of Deputy Commissioner in computing the deduction under section 80 HHC on the grounds that error in rejecting additional grounds of appeal on the ground that our Company had not made any such claim before the assessing officer and had not furnished any working of claim for deduction under section 80 HHC during the course of the appellate proceedings inspite of the fact that no such details were called for.

The matter is currently pending.

3. Our Company has filed an appeal with the Income Tax Appellate Tribunal ("ITAT"), against order dated November 24, 1997 passed by CIT- I, Surat for the assessment year 1994-1995. Our Company has filed the appeal due to:
 - a. Including in the total income of Advance Licence Benefit receivables of ₹ 8,02,38,750/- as no income has accrued to our Company until imports were made and raw materials were consumed in the subsequent year and advance license benefit was not transferable and no income accrued to our Company until raw materials were actually imported.
 - b. Allowing deduction in respect of non- refundable deposit paid to Bombay Suburban Electricity Supply Limited for electric connection only to the extent of ₹ 55,000/- instead of ₹ 1,28,345/-.
 - c. Rejecting the claim made by our Company in respect of deduction of traveling expenses and salary and wages amounting to ₹ 1,05,54,024/- and ₹ 33,80,439/- respectively, capitalized in the books as expenses represented revenue expenditure eligible for deduction under section 37 (1) and expenditure is revenue in nature and cannot be termed as capital expenditure.
 - d. Disallowing a sum of ₹ 28,967/- under the provisions of Rule 6 B in respect of expenditure on presentation of articles as presentation of articles not advertisement as the articles did not bear the logo of our Company as the person who received it were aware

-
- of the name who had presented such articles.
- e. Disallowing a sum of ₹ 23,56,302/- out of repairs to building and repair to other by treating the same as capital expenditure as the same expenses were incurred for maintaining and repairing the existing assets and accordingly did not result in any benefit in the capital field.
 - f. Allowing deduction as computed by our Company on the ground that deduction under section 80 I and section 80 IA ought to have been allowed on the profits of the concerned undertakings without restricting the total deduction to 30% of the gross total income.
 - g. Upholding of the action of Deputy Commissioner in calculating depreciation of in respect of blocks of assets other than the block of assets relating to plant and machinery eligible for 100% depreciation, even though no claim was made by our Company in respect of the same on the ground that depreciation being an allowance can be allowed only if claimed by our Company.
 - h. Non-consideration of the interest levied under section 243 B on the ground that Income under section 234 B could be levied only on the amount of assessed tax paid and could not be levied on the amount of refund of tax granted in intimation.

The matter is currently pending.

4. Our Company has filed an appeal with the CIT against Order dated October 3, 2001 giving effect to the order of the Income Tax Appellate Tribunal, Ahmedabad (“ITAT”) for the assessment year 1995-1996. Our Company has filed the appeal due to:
 - a. Disallowing deduction in respect of non- refundable deposits paid to Mahanagar Telephone Nigam Limited aggregating to ₹ 3,40,900/- and in respect of claim for deduction of prior period adjustments amounting ₹ 16,60,207/-.
 - b. Disallowing deduction in respect of expenditure amounting to ₹ 1,01,89,977/- debited in the accounts of the previous year relevant to assessment year 1995-96 and not allowing the deductions under section 80 I and 80 IA.
 - c. Reducing the deduction already allowed to the assessee in the assessment order dated August 6, 1998 due to erroneous computation of deduction under section 80HHC.

The matter is currently pending.

5. Our Company filed an appeal with the ITAT, against the Order dated March 6, 2002, giving effect to the order of the ITAT, Ahmedabad for the assessment year 1995-1996. Our Company has filed an appeal due to:
 - a. The action of the CIT in reiterating the directions issued to the Additional Commissioner of Income Tax, in respect of non- refundable deposits paid to Mahanagar Telephone Nigam Limited aggregating to ₹ 3,40,900/- and thereby entitling the Additional Commissioner of Income-Tax to cover up the earlier deficient work by restoring the matter back to him for the third time.
 - b. Setting aside the ground pertaining to deduction in respect of non- refundable deposits paid to Mahanagar Telephone Nigam Limited aggregating to ₹ 3,40,900/-.
 - c. Allowing deduction in respect of the claim for deduction of prior period adjustments amounting to ₹ 16,60,207/- thereby entitling the Additional Commissioner of Income-Tax to cover up the earlier deficient work by restoring the matter back to him for the third time.
 - d. Setting aside the ground in respect of the claim for deduction of prior period adjustments amounting to ₹ 16,60,207/-.
 - e. Holding that deduction amounting to ₹ 7,48,68,772/- allowed in the Order dated August 6, 1998 by the assessing officer can in no way be reduced, subject however to verification of figures appearing in the certificates, thereby, entitling the Additional Commissioner of Income-Tax to cover up the earlier deficient work by restoring the matter back to him for

the third time.

Our appeal was allowed by the ITAT vide its order dated April 8, 2010.

6. Our Company has filed an appeal with the Income Tax Appellate Tribunal (“ITAT”), against order dated March 6, 2002 passed by CIT- I, Surat for the assessment year 1996-1997. Our Company has filed an appeal due to:
- a. The CIT holding that provisions of sections 80 AB are applicable to the computation of deduction under sections 80 I and 80 IA, and the deductions under section 80 I and 80 IA are to be computed at 30% of the Business Income on the ground of ignoring the specific directions given by the CIT on page 8 of the appellate Order dated March 15, 2000 bearing appeal no. Cas (I)/179/99- 2000. Our Company has also stated the ground of reducing exchange difference amounting to ₹ 2,20,59,629/- from “Profits of the Business’ without appreciating the fact that specific directions had been issued to treat the said amount as ‘turnover’. The exchange difference amounting to ₹ 2,20,59,629/- was not included in ‘export turnover’ while the same was included in ‘total turnover’. Our Company has also stated the ground of treating the loss amounting to ₹ 12,58,278/- in respect of export of traded goods as nil while computing adjusted profits of the business.
 - b. Application of section 40A (2) (b) by the CIT to a transaction of sale on the ground that section 40 A (2) (b) can be applied only to expenditure and that no addition can be made in respect of sale of White Phosphorous at differential rates.
 - c. Upholding of the action of Joint Commissioner of Income-tax of levying interest under section 234B amounting to ₹ 1,20,42,473/- in the notice of demand when no specific directions for such levy were issued in the assessment order.

The matter is currently pending.

7. Our Company has filed an appeal with the Commissioner of Income Tax (Appeals) (“CIT”) against order dated November 20, 2000 giving effect to the Order of the Joint Commissioner of Income Tax (“JCIT”). Our Company has filed an appeal due to:
- a. Not granting relief in respect of computation of long term capital gains arising on sale of undertaking and in not quantifying the capital loss to be carried forward to assessment year 1997-1998 after re-computing the long term capital gains and in not re-computing the long term capital gains arising on sale of undertaking by excluding an amount of ₹ 1,38,89,304/- being interest capitalized in the books of account but not allowed as a revenue expenditure in the assessment order passed for assessment year 1995-1996.
 - b. Allowing deductions under sections 80-I and 80-IA on the ground that as per the directions of the Commissioner of Income Tax (Appeals), the qualifying amounts for the deductions under sections 80-I and 80 IA ought to be restricted to 30% of Gross Total Income i.e ₹ 9,40,76,587/- (being 30% of ₹ 31,35,88,625/-) instead of computing the said deductions under sections 80-I and 80- IA of the Business Income.
 - c. Alleged wrongful computation of the deduction under section 80 HHC on the ground of reducing exchange difference amounting to ₹ 2,20,59,629 /-while computing “profits of the business’. Our Company has challenged reducing exchange difference on exports amounting to ₹ 2,20,59,629/- while computing “Profits of the Business’ without appreciating the fact that specific directions had been issued to not to exclude the same from ‘export turnover’ and ‘total turnover’, treating the loss amounting to ₹ 12,58,278/- in respect of export of traded goods as nil while computing adjusted profits of the business.
 - d. Application of section 40A (2) (b) by the CIT to a transaction of sale on the ground that section 40 A (2) (b) can be applied only to expenditure and no addition can be made in respect of sale of White Phosphorous at differential rates.
 - e. Upholding of the action of Joint Commissioner of Income-tax of levying interest under

section 234B amounting to ₹ 1,20,42,473/- without issuing specific directions for such levy. Reliance has been placed by our Company upon the decision of the Hon'ble Supreme Court in the case of CIT vs Ranchi Club Limited.

The matter is currently pending before the High Court.

8. Our Company has filed an appeal with the ITAT against the order dated March 7, 2002 passed by the Commissioner of Income Tax (Appeals) - VI, Surat for the assessment year 1997-1998. Our Company has filed the appeal as the Assessing Officer had neither adjudicated on the issues set aside by the CIT in order dated January 19, 2001 nor passed a speaking order. The CIT had no power to set aside any issue to the Assessing Officer with effect from June 1, 2001 and a speaking order ought have been passed by the him, on the issues such as Disallowance out of interest paid (₹ 2,54,45,725/-), Additions in respect of sale of white phosphorus at different rates (₹ 2,34,52,490/-) and Claim for deduction in respect of expenses treated as deferred revenue expenditure in the accounts- Research and development expenses (₹ 2,31,56,500/-) and Avalon service Charges (₹ 1,79,17,996/-) which had been set aside to the Assessing Officer in the Appellate order dated January 19, 2001. Our Company has also stated that the Assessing Officer has issued directions given in the appellate order dated January 19, 2001 to follow appellate orders for assessment years 1995-96 and 1996-97.

Our Company has also prayed for the following:

- a. Disallowance of ₹ 2,54,45,725/- out of interest paid as interest payments were made wholly and exclusively for the purpose of the business. Additionally, there was no justification for computing notional interest at 18% and the Share Capital and Reserves and Surplus of our Company amounted to ₹ 385.74/- crores.
- b. Addition of ₹ 2,34,52,490/- made under section 40 A (2) (b), ITA in respect of the sale of white phosphorus as section 40 A (2) (b) could apply only to expenditure incurred and cannot apply to a transaction of sale and full justification had been provided for charging lower rates to its sister concerns as compared to rates charged to the outside parties. Further, for making the addition, the fair market value of white phosphorus had been taken on the basis of the arithmetic average of ₹ 130.80/- and ₹ 144/- per kg, ignoring the fact that market value of white phosphorus was affected by various factors including credit worthiness, quantity supplied, packing, etc and for the purpose of comparison, the sales made at higher rates of ₹ 144/- were not excluded.
- c. Disallowance of ₹ 2,31,56,500/-, in respect of expenses incurred on research and development for existing products but treated as deferred revenue expenses in the accounts on the ground that the said expenditure has been incurred on research and development and accordingly, allowable as a deduction under section 35.
- d. Disallowance of ₹ 1,79,17,996/-, made in respect of services charges for computer software treated as deferred revenue expenditure in the accounts on the ground that the expenditure represented only expenditure on software allowable under section 37 (1) since the expenditure on hardware has already been capitalized and accordingly no portion of the capital expenditure was included in the aforesaid amount.
- e. Disallowance of ₹ 96,045/- made under section 40 (a) (iia) in respect of wealth- tax paid on the ground that section 40 (a) (iia) is not attracted as the definition of wealth- tax given in Explanation to section 40 (a) (iia) specifically excludes any particular assets of the business and in the case at hand wealth- tax is paid only on certain specified assets and not on the value of all assets of the business. Further, Company has without prejudice to the above sought deletion of the addition of ₹ 96,045/- on that the ground that the same has resulted into double disallowance.
- f. Re-computation of the deduction under section 80 HHC which has been computed as nil as while computing the "profits of the business", 90% of the Management Service Charges (₹ 3,56,90,000/-), Discount (₹ 10,53,433/-) and Miscellaneous Receipts (₹ 44,86,093/-) ought not to be reduced from the profits of the business since the said items

are not specifically required to be reduced from the profits of the business as per definition given in clause (baa) of the Explanation below section 80 HHC (4A). Further 90 % of exchange difference amounting to ₹ 2,77,21,673/- ought not to be reduced while computing profits of the business in view of the fact that the said amount represented turnover. Our Company has also stated that only the net amount of interest received by our Company ought to have been reduced while computing the profits of the business as per Explanation (baa) below section 80 HHC (4 A). Our Company has further stated that we had credited in the profit and loss Account, an amount of ₹ 3,22,81,466/- as interest received and had debited an amount of ₹ 46,14,76,435/- as interest paid. As interest paid was more than interest received, no portion of the interest ought to have been reduced while computing the profits of the business for the purpose of working out deduction under section 80 HHC. Our Company has also claimed that the word 'receipts' as referred to in the Explanation (baa) below section 80 HHC (4A) refers only to the net receipts and accordingly, gross receipts of interest cannot be reduced from the profits of the business.

- g. Re-computation of the deduction under section 80 HHC which has been computed as nil as while computing the "total turnover", excise duty amounting to ₹ 38,66,80,373/- and sales- tax amounting to ₹ 6,12,06,238/- ought to be included as a part of the total turnover in view of the fact that the 'total turnover' has to be made comparable with the term 'export turnover' and since export turnover does not include excise duty and sales- tax, the total turnover should also have been taken exclusive of excise duty and sale- tax. Further, a sum of ₹ 14,84,43,037/- (i.e. ₹ 15, 56,36,635/- – ₹ 71,93,593/-) in respect of sale proceeds realized after September 30, 1997 for which the extension of time up to September 30, 1998 was granted under the provisions of section 80 HHC (2) (a) of the Act ought to have been included in the 'export turnover'. Additionally, exchange difference amounting to ₹ 2,77,21,673/- ought to have been included as part of the export turnover and total turnover for the purpose of computing deduction under section 80 HHC.
- h. Re-computation of the deduction under section 80 HHC which has been computed as nil as while profits attributable to export of traded goods resulted in a negative figure, the deduction under section 80 HHC (3) (b) in respect of export of traded goods ought to have been at nil.
- i. Re-computation of the deduction under section 80-I and 80-IA, which was computed as nil, to be computed with items of 'other income' not being excluded from the 'profits of the eligible undertakings'. The deduction under section 80-I and 80-IA ought to be computed with reference to the profits of the eligible undertakings and not with reference to the 'profits and gains of the business'. The Management service charges had already been excluded while computing the profits of the eligible undertakings and further exclusion resulted in double disallowance thereof. Further, since advance license benefit and pass book benefit have been treated as income in the year of import of the eligible raw materials, the reversal of the said advance license benefit and pass book benefit amounting to ₹ 14,61,35,678/- and ₹ 13,24,36,891/- respectively ought to be reduced while computing cost of raw materials for the purpose of 'profits of the eligible undertakings. Alternatively, as per the departmental stand of considering the benefits as income in the year of export, the income deemed to have been received amounting to ₹ 9,17,77,247/- and ₹ 19,96,61,366/- as advance license and pass book benefit respectively ought to be reduced from the cost of the raw materials for working out the profits of the eligible units. Additionally, the deduction ought to be allowed on profits eligible undertakings and ought not to be restricted to 30 % on the gross total income.
- j. Re-computation of the book profits on the ground that the starting point was taken as "Profits after Tax". Further our Company has submitted that the profit on sale of investments ought to be excluded while computing the book profits under section 115 JA as the expression book profits is intended to be confined to "business profits' and not to income chargeable to tax under the head 'capital gains'.

The matter is currently pending.

9. Our Company has filed an appeal with the Income Tax Appellate Tribunal (“ITAT”) against an order of Additional CIT (Assistant), Special Range – 1, Surat for the assessment year 1998-1999.

The assessment under appeal was finished under section 143 (3) of the IT Act on an income of ₹ 23,95,36,557/-. The Assessing Officer had made certain additions/ disallowances in the total income of our Company. On appeal, the CIT has deleted/ reduced disallowances to ₹ 18,86,39,590/-. Our Company has preferred an appeal on the ground that the order of the CIT is erroneous.

The matter is currently pending.

10. Our Company has filed an appeal with the Income Tax Appellate Tribunal (“ITAT”), against the appellate order dated March 8, 2002 passed by the CIT-IV, Surat for the assessment year 1998-1999. Our Company has filed the appeal due to:

- a. Inclusion of Advance License Benefit receivables amounting to ₹ 7,39,87,997/- in the total income on the ground that no income has accrued to our Company until imports were made and raw materials were consumed, which events took place in the subsequent year and advance license benefit was not transferable and no income accrued to our Company until raw materials were actually imported.
- b. Inclusion of the Pass Book Benefit receivables amounting to ₹ 8,88,18,879/- in the total income on the ground that no income had accrued to the company until the credit was received in the pass book which event took place in the subsequent years.
- c. Disallowing the claim for deduction of the proportionate premium of ₹ 12,61,261/- in respect of premium paid on lease hold land in the assessment years 1992-93, 1993-94, 1995-96 and 1997-98, over the period of the lease, as per ratio of the decision of the Hon’ble Supreme Court in the case of Madras Industrial Investment Corporation Limited v. CIT (225 ITR 802).
- d. Disallowing an amount of ₹ 2,27,18,505/- out of interest paid on the ground that wrong observation that diversion of interest funds is quite clear and notional interest at 18% was considered for disallowance without giving any justification or basis for the same.
- e. Upholding of the action of the Additional Commissioner in including in the total income the sum of ₹ 72,00,000/- being premium on special import license credited to the Profit and Loss Account, on the ground that As per provisions of section 28 (iia), ITA only profits on sale of license is chargeable to tax and that the said licenses were neither sold nor utilized during the year.
- f. Setting aside the ground pertaining to deduction in respect of provision for leave encashment on the ground that CIT has no power to set aside an issue to the Assessing Officer. It was also stated that the CIT did not abide by the decision of the Supreme Court in the case of Bharat Earth Movers v CIT.
- g. Disallowing a sum of ₹ 20,00,000/- on an ad hoc basis out of sales promotion expenses.
- h. Rejecting the claim for deduction in respect of wealth tax paid amounting to ₹ 1,64,209/- on the ground that the same were covered by the provisions of section 40 (a) (iia) of the Act, on the ground that section 40 (a) (iia) is not attracted since the definition of “wealth-tax” given in the Explanation to section 40 (a) (iia) specially excludes any tax chargeable with reference to the value of any particular asset of the business and in the instant case, wealth tax is paid only on certain specified assets and not on the value of all the assets of the business.
- i. Disallowing claim for deduction amounting to ₹ 3,12,57,602/- in respect of expenses incurred during the year and treated as deferred revenue expenditure in the accounts on the ground that Product registration expenditure amounting to ₹ 1,72,75,132/- has crytallised and Expenditure incurred for Research and Development amounting to ₹

-
- 1,39,82,470/- is revenue in nature as it is not incurred of ran advantage of enduring benefit, and even if research and development expenditure is to be treated as capital expenditure, the same ought to have been allowed under section 35, ITA.
- j. Following the appellate order for the earlier assessment year holding that the legal fee amounting to ₹ 1,12,96,162/- being an amount paid in advance would be ineligible for deduction under section 37 of the Act, on the ground of error in referring to arbitration expenses in connection with fraudulent encashment of letter of credit which had no bearing with the concerned ground.
- k. Imposing depreciation upon our Company on the ground that for computing deduction under section 80I and 80 IA, the depreciation allowed under section 32 can only be apportioned and if only the depreciation claimed under section 32 is allowed, then only the said amount could be considered while computing deduction under section 80I and 80IA.
- l. Setting aside for verification the disallowance of a sum of ₹ 27,32,354/- out of employer's contribution to provident Fund under section 43B and employee's contribution to Provident Fund under section 36 (1) (va) of the Act, on the ground of not following the ratio of the decision of the ITAT, Bangalore bench in the case of Hunsur Plywood Works Limited vs DCIT (54 ITD 394) wherein the Tribunal has held that no disallowances ought to be made if the payments have been made during the relevant previous year.
- m. Upholding disallowance in respect of the employer's contribution to ESIC amounting to ₹ 17,257/-.
- n. Rejecting claims under section 80HHC, ITA. Our Company has challenged the action of the CIT in rejecting the claim of Reduction of 90% of the Management Service Charge amounting to ₹ 3,92,20,000/-, Discount amounting to ₹ 52,89,021/- and Miscellaneous Receipts amounting to ₹ 1,11,97,442/- from the 'profits of the business' even though the said items were not specifically required to be reduced as per the definition given in clause (baa) of the Explanation below section 80HHC (4A).
- o. Disallowing the deduction under section 80 IA on the ground that deduction under section 80 IA ought to have been allowed on the profits of the concerned undertakings without deducting the depreciation eligible under section 32 in view of the fact that depreciation under section 32 is eligible on the basis of block of assets for our company as whole and not in respect of individual assets of the concerned industrial undertaking and accordingly, depreciation cannot be allocated to the different industrial undertakings as per scheme of the income-tax Act, 1961 in respect of allowance of depreciation on the concept of block of assets.
- p. Reducing a sum of ₹ 26,10,01,876/- from the profits and gains of the business", on the ground that the said income was not " derived from an industrial undertaking" without any justification or basis and without considering the costs, etc debited in the accounts in respect thereof.
- q. Including the profit on sale of investment of ₹ 24,49,320/- while computing 'book-profits'.
- r. Including dividend income amounting to ₹ 1,52,36,623/- exempt under section 10(33) of Chapter III of the act in the computation of 'book profits' as per the provisions of section 115 JA of the Act.
- s. Not reducing the sum of ₹ 57,62,287/- in respect of prior period adjustments (net) debited to the profit and loss account while computing the book profit as per section 115 JA, ITA.
- t. Not reducing a sum of ₹ 84,84,172/- being the amount payable under the section 115 O in respect of tax on distributed profits while computing 'book profits' as per section 115 JA as the tax paid on distributed profits is paid under section 115 O of the Act and as per the Explanation to Sub- section 2 of section 115 JA only the amount of income-tax paid or payable and the provision therefore is required to be added while computing the book profit as per section 115 JA. Accordingly the said amount is not required to be added back while computing the book profits as per section 115 JA.
- u. Not excluding a sum of ₹ 5,00,000/- being provision for wealth tax while computing the

book profits as per section 115 JA as wealth tax is does not represent income tax the said amount is not required to be added back while computing the book profits as per section 115 JA.

- v. Computation of interest under section 243 B amounting to ₹ 3,53,27,680/-.

The matter is currently pending.

11. Our Company has filed an appeal with the ITAT against the assessment order dated March 24, 2004 passed by the CIT for the assessment year 1999-2000. Our Company has filed an appeal due to:

- a. Inclusion of the Advance License Benefit receivable amounting to ₹ 2,11,64,259/- and Pass Book Benefit Receivables amounting to ₹ 16,00,23,119/- on the ground that no income had accrued to our Company until the imports were made and the raw material were consumed in the subsequent year.
- b. Inclusion of a sum of ₹ 24,00,000/- in respect of premium on special import license credited to the profit and loss account on the ground that only profit on sale of the License is chargeable to tax and that the said license were neither sold nor utilized during the relevant previous year.
- c. Rejection of our Company's claim for deduction in respect of salary and wages amounting to ₹ 29,94,085/- capitalized in the books of account on the ground that the said expenses represented revenue expenditure eligible for deduction under section 37 (1).
- d. Disallowing an amount of ₹ 18,46,485/- as expenditure for earning tax free income on the ground that no expenditure had been incurred for earning such tax free income.
- e. Disallowing an amount of ₹ 56,63,041/- out of interest paid by computing notional interest income at 18% and disallowing out of interest paid, the difference between the said notional interest computed at 18% and the interest received on the ground that no justification was given for computing notional interest at 18%.
- f. Reducing 90% of the Management Service Charges (₹ 442.50/- lacs), Sales Tax Refund (₹ 26.93/- lacs), Discount (₹ 34.71/- lacs), Excess Provision Written Back (₹ 140.25/- lacs), Exchange Rate Difference (₹ 94.55/- lacs), Refund of electricity duty (₹ 60.81/- lacs) and Miscellaneous Receipts (₹ 47.97/- lacs) from the profits of the business inspite of the fact that the said items were not specifically required to be reduced from the profits of the business as per the definition given in clause (baa) of the Explanation below section 80 HHC (4A).
- g. Disallowing the claim of deduction of ₹ 1,84,078/- in respect of proportionate premium paid on leasehold land over the period of the lease, as per the ratio of the decision of the Supreme Court in the case of Madras Industrial Investment Corporation Limited vs CIT (225 ITR 802).
- h. Imposing interest in respect of refunds granted prior to June 1, 2003 on the ground that section 243 D has been inserted by the Finance Act, 2003 with effect from June 1, 2003 and hence not applicable to refund granted prior to June 1, 2003.

The matter is currently pending.

12. The Deputy Commissioner, Mumbai has filed an appeal with the Income Tax Appellate Tribunal ("ITAT") against the Order of Commissioner of Income Tax (Appeals) ("CIT") for the assessment year 2000-2001. The Order has been challenged on the following grounds:

- (a) Addition made by the Assessing Officer on account of loss of ₹ 1,51,67,500/- incurred by the assessee on the cancellation of forward contract.
- (b) Deletion of disallowance of ₹ 6,25,756/- made by the Assessing Officer on account of penalty paid by our Company.
- (c) Restricting disallowances from ₹ 9,23,55,134/- to ₹ 5,85,61,165/- on account of interest paid on the borrowed funds utilized for non-business purpose of advancing loan to Search

Chem Industries Limited.

- (d) Restricting disallowances made by the Assessing Officer on account of sales promotion expenses from ₹ 25,00,000/- to ₹ 15,00,000/- and in treating Product registration expenses of ₹ 33,53,154/- and Research and Development expenses of ₹ 4,67,31,101/- as revenue in nature.
- (e) Allowing 10% of Data Access Fee of ₹ 14,41,77,000/- and Task Force expenses of ₹ 7,68,26,307/-.

The matter is currently pending.

13. Our Company has filed an appeal to the Income Tax Appellate Tribunal (“ITAT”) against the order dated March 8, 2004 passed by the CIT, Central Circle VI for the assessment year 2000-2001. The appeal has been filed due to:
- a. Upholding of the action of Deputy Commissioner to include advance licence benefit receivable at ₹ 4,64,74,214/- and Pass Book Benefit receivable in total income as no income had accrued to our Company until the imports were made and the raw material were consumed, which events took place in the subsequent year.
 - b. Upholding of the action of Deputy Commissioner of not allowing the claim for deduction of the proportionate premium of ₹ 12,61,261/- in respect of premium paid on lease hold land in the assessment years 1992-93, 1993-94, 1995-96 and 1997-98, over the period of the lease.
 - c. Including depreciation in respect of all the block of assets even though no claim was made by the our Company in respect of the same except in the case of the block pertaining to plant and machinery eligible for depreciation at the rate of 25%.
 - d. Upholding of the action of Deputy Commissioner of disallowing an amount of ₹ 19,92,012/- as expenditure incurred for earning interest free income in spite of the fact that as during the previous year, no additional investments were made and the dividend received related to the investment made in earlier years. Further, no expenditure had been incurred for earning tax free income. The fact that earning of interest and dividend was indivisible activity carried out by our Company since there was commonness of management and control was also not considered.
 - e. Upholding of the action of Deputy Commissioner in disallowing a sum of ₹ 4,47,51,665/- out of interest paid on the ground that Interest payment were made wholly and exclusively for the purposes of the business.
 - f. Upholding of the action of Deputy Commissioner of disallowance ₹ 15,00,000/- out of sales promotion expenses.
 - g. Allowing claim for deduction of ₹ 2,21,00,330/- only, out expenses amounting to ₹ 22,10,03,307/-, being Data Access Fee paid ₹ 14,41,77,000/- and Aluminum Phosphide Tash Force Expenses ₹ 7,68,26,307/- incurred during the year and accepted as deferred revenue expenditure in the accounts, on the ground that the entire liability for Data Access Fees had not accrued and the very nature of the expenses under both the heads is such that they are not confined to a particular year and accordingly, restricted the said deduction to only 1/10th.
 - h. Rejection of its claim for deduction of ₹ 2,97,61,667/- in respect of legal fees treated as advance in the books of account on the ground that our Company had failed to prove that the liability had crystallized during the relevant previous year.
 - i. Rejection of its claim in respect of salary and wages amounting to ₹ 30,81,245/- capitalised in the books of account.
 - j. Upholding of the action of Deputy Commissioner of disallowance of an amount of ₹ 31,739/- in respect of employer’s contribution to ESIC under section 43 B, ITA without appreciating the fact that clause (b) of section 43 B was not attracted to such contribution.
 - k. Direction to compute deduction under section 80 IB. The CIT directed to exclude Advance License Benefit receivables, the Pass Book Benefit receivable and profit on sale of import of license from the profits and gains derived from the eligible undertakings and

include advance license benefit reversal and pass book benefit reversal as part of the cost of raw materials without excluding the corresponding notional reversals also from the cost for the purpose of working the profits of the eligible undertakings.

- l. Direction to compute deduction under section 80 HHC, to reduce 90% of the management service charges, job work charges, refund of electricity duty and discount received included in 'other income' of schedule 'N' of the profit and Loss Account in spite of the fact that the said items were not specifically required to be reduced and that gross amount of interest received had to be reduced ignoring the submission that as our Company had credited in the Profit and Loss account, an amount of ₹ 2,93,19,740/- as interest received and had debited an amount of ₹ 35,31,54,603/- as interest paid, the interest paid being more than the interest received, no portion of the interest received ought to have been reduced for the purpose of working out deduction under section 80 HHC.
- m. Allowing deduction in respect of tender deposits and inter- corporate deposits written off amounting ₹ 23,65,302/- and ₹ 3,00,000/- respectively without appreciating the fact that aforesaid sundry debit balances written off amounting to ₹ 26,65,302/- represents business loss and eligible for deduction under section 28.

The matter is currently pending.

14. Our Company has filed an appeal with the Income Tax Appellate Tribunal against an order of Commissioner of Income Tax (Appeals) dated February 18, 2005 ("Order") for the assessment year 2001-2002. The Order has been challenged due to:
 - a. Inclusion of Advance License Benefit receivable amounting to ₹ 3,29,55,054/- and Pass Book Benefit receivable amounting to ₹ 23,40,93,786/- in the total income as no income had accrued until imports were made in the subsequent year.
 - b. Error committed in not allowing the claim for deduction of ₹ 1,84,078/-.
 - c. Depreciation forced in respect of all the block of assets even though no claim was made by our Company in respect of the same, in the case of the block pertaining to plant and machinery eligible for depreciation at the rate of 25%.
 - d. The disallowance of an amount of ₹ 18,46,485/- being an expenditure incurred for earning tax free income though no income had been earned for earning tax free income.
 - e. The rejection of our claim for deduction of ₹ 1,47,04,451/- in respect of legal fees paid during the year but treated as an advance in the books of account and the rejection of our Company's claim for deduction in respect of salary and wages amounting to ₹ 24,19,704/- capitalized in the books of account.

The matter is currently pending.

15. Our Company filed an appeal with the Income Tax Appellate Tribunal ("ITAT") against the Order dated March 28, 2005 passed by the Commissioner of Income Tax (Appeals), Central - VI for the assessment period of April 1, 1995 to February 15, 2002 on the ground that an error had been made in confirming disallowance to the extent of ₹ 93,82,411/- in respect of non verifiable cash expenses under the heading "Clearing and Forwarding Expenses".

The matter is currently pending.

16. Our Company has filed an appeal with the Income Tax Appellate Tribunal ("ITAT") against an order under Section 250, ITA passed by the Commissioner of Income Tax (Appeals) ("CIT") dated January 12, 2009 ("Order") for the assessment year 2001-2002 on the ground that the CIT erred in withholding the action of the Assistant Commissioner of Income Tax in disallowing an amount of ₹ 65,73,231/- out of expenditure incurred in foreign currency in respect of export to Iraq.

The matter is currently pending.

17. Our Company has filed an appeal with the Income Tax Appellate Tribunal (“ITAT”) against an order under Section 250, ITA passed by the Commissioner of Income Tax (Appeals) (“CIT”) dated January 12, 2010 (“Order”) for the assessment year 2002-2003 on the ground that the CIT erred in withholding the action of the Assistant Commissioner of Income Tax in disallowing an amount of ₹ 53,19,254/- out of expenditure incurred in foreign currency in respect of export to Iraq.

The matter is currently pending.

18. Our Company has filed an appeal with the Income Tax Appellate Tribunal against an Order of Commissioner of Income Tax (Appeals) dated December 30, 2005 for the assessment year 2002-2003.

Our Company has challenged the taxability of Advance License Benefit of ₹ 9,79,19,084/- by its inclusion and the Pass Book Benefit receivables of ₹ 21,20,29,429/- in the total income as no income has accrued to our Company until imports were made and raw materials were consumed, which events took place in the subsequent year.

Our Company has challenged the non inclusion of its entire claim of deduction as expenditure of Data Access Fee of ₹ 88,70,985/- and rejection of Claim of Deduction in respect of salary and wages capitalized in the accounts of ₹ 66,43,098/-, disallowing ₹ 9,57,490/- as expenditure incurred for earning tax free income.

Our Company has challenged that ‘Profits and gains derived from the business of an industrial undertaking’ is eligible for deduction under section 80 IB and not only ‘profits and gains derived from an industrial undertaking’. Our Company has also challenged the erroneous levy of interest under section 234 D, ITA amounting to ₹ 8,84,153/-.

The matter is currently pending.

19. Our Company has filed an appeal dated August 10, 2010 before the Income Tax Appellate Tribunal (“ITAT”) against an order passed by the Commissioner of Income Tax (Appeals) (“CIT”) dated June 10, 2010 (“Order”) passed under section 250 of the Income Tax Act, 1961 (“ITA”) for the assessment year 2003-2004. The Order has been challenged due to:
- Inclusion of Advance License Benefit receivable amounting to ₹ 10,36,86,304/-.
 - Disallowance of Duty Entitlement Pass Book Scheme benefit receivable amounting to ₹ 20,92,37,167/- on the ground that no income had accrued to our Company until imports were made and raw materials consumed during the subsequent financial.
 - Disallowance of the claimed deduction of ₹ 17,29,35,565/- in expenses treated as Deferred Revenue Expenditure in the accounts on the ground that product registration expenditure is not capital expenditure.
 - Disallowance of claim for deduction in respect of salary and wages amounting to ₹ 22,61,933/- capitalized in the books of account as expenses represented revenue expenditure eligible for deduction under section 37 (1), ITA.
 - Inclusion of the amount of salary and wages capitalized in the accounts and in the assessment order amounting to ₹ 22,61,933/- while computing the amount eligible for depreciation. Our Company has also stated that depreciation ought to be granted on the basis of written down value of the various block of assets as finally determined in the earlier year consequent to the appellate orders for the earlier assessment years.
 - The addition made under section 92C(4), ITA of an amount of ₹ 45,00,000/- being commission at the rate of 0.6% on corporate financial guarantees provided amounting to ₹ 7,511.60/- lacs on behalf of associated enterprises to meet with the arm’s length

principle on the basis of the order passed by the transfer pricing officer under section 92CA (3), ITA.

- g. The deduction computed under section 80 IB, ITA.
- h. The deduction computed under section 80 HHC.
- i. Short Granting of Credit in respect of Tax deducted at Source ₹ 1,18,412/- as our Company has not yet received the certificates in respect of tax deducted at source and credit in respect of the same ought to be granted once the certificates are submitted.

The matter is currently pending.

The following table contains the tax payable by our Company, including interest, as per the last assessment order received by us. The table also contains the contingent liability arising from income tax proceedings involving our Company, as of March 31, 2010.

| Sr. No. | Assessment Year | Tax payable including interest as per last Assessment Order (₹) | Contingent Liability as on March 31, 2010 (₹) |
|---------|---|---|---|
| 1 | 1990-91 | 21,499 | (87,015) |
| 2 | 1992-93 | 4,75,54,182 | 75,54,182 |
| 3 | 1993-94 | 5,46,33,882 | Nil |
| 4 | 1994-95 | 1,85,11,343 | Nil |
| 5 | 1995-96 | 5,63,74,592 | 2,24,15,641 |
| 6 | 1996-97 | 2,26,98,049 | Nil |
| 7 | 1997-98 | 6,48,23,820 | 1,84,68,490 |
| 8 | 1998-99 | 2,59,60,124 | 14,60,124 |
| 9 | 1999-2000 | 3,29,13,051 | Nil |
| 10 | 2000-2001 | 9,57,27,615 | 1,89,87,885 |
| 11 | 2001 – 2002 | 2,88,55,957 | 1,38,55,957 |
| 12 | Penalty | 23,00,630 | 23,00,630 |
| 13 | 2002 – 2003 | 12,89,80,983 | 5,70,90,983 |
| 14 | Penalty | 18,98,974 | |
| 15 | Block Period from April 1, 1995 to February 2, 2002 | 1,22,40,000 | Nil |
| 16 | 2003 – 2004 | 18,58,81,334 | 13,43,81,334 |
| | Total | 77,93,76,035 | 27,64,28,211 |

GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government of India, relevant state governments and various governmental agencies required for our present business and no further approvals are required for carrying on our present business.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

This Issue of Equity Shares to the Equity Shareholders of our Company as on the Record Date is being made in accordance the resolution passed by our Board of Directors under Section 81(1) of the Companies Act, at its meeting held on December 23, 2010.

Prohibition by SEBI

Our Company, our Associates, our Promoters, our Promoter Group companies, or the companies with which the Directors are associated as directors or promoters, have not been prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

Further, except as disclosed, none of our Company, the Associates, the Promoters or the members of the Promoter Group have been declared willful defaulters by the RBI or any Government authority and no violations of securities laws have been committed by them in the past and no proceedings in relation to such violations are currently pending against them.

None of our Directors are associated in any manner with any entity which is engaged in securities market related business and is registered with SEBI for the same.

None of our Directors hold current or have held directorship(s) in the last five years in a listed company whose shares have been or were suspended from trading on BSE or the NSE or in a listed company which has been / was delisted from any stock exchange.

Eligibility for the Issue

Our Company is an existing listed company registered under the Companies Act whose Equity Shares are listed on BSE and NSE. It is eligible to make this Rights Issue in terms of Chapter IV of the SEBI Regulations.

Our Company is eligible to make disclosures in the Draft Letter of Offer as per Part E of Schedule VIII of the SEBI Regulations as it is in compliance with the following:

- (a) our Company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this Draft Letter of Offer with SEBI;
- (b) the reports, statements and information referred to in sub-clause (a) above are available on the website of any recognised stock exchange with nationwide trading terminals, i.e., BSE and the NSE or on a common e-filing platform specified by SEBI;
- (c) our Company has investor grievance-handling mechanism which includes meeting of the Shareholders' or Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the Board of Directors as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED / CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR

THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT LETTER OF OFFER. THE LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED DECEMBER 29, 2010 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**

- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
 - a) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

 - b) ALL THE LEGAL REQUIREMENTS TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

 - c) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

-
3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
 4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE AS THE ISSUE IS NOT UNDERWRITTEN.**
 5. **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS’ CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS’ CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER. – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.**
 6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUES OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.**
 7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS’ CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS’ CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS’ CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.**
 8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE “MAIN OBJECTS” LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
 9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FORM**

ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.

- 10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.**
- 11. WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN THE ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**
- 12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:**
 - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE ISSUER AND**
 - b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**
- 13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO THE ADVERTISEMENT IN TERMS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- 14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ETC.**
- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS DRAFT LETTER OF OFFER.

Disclaimer clauses from our Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and our Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

Investors who invest in the Issue will be deemed to have represented to our Company and Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Rights Issue Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in this Issue.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be BSE.

Disclaimer Clause of BSE

BSE has given vide its letter no. [●] dated [●] permission to our Company to use BSE's name in this Draft Letter of Offer as one of the Stock Exchanges on which the Equity Shares are proposed to be listed. BSE has scrutinized this Draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. BSE does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Letter of Offer; or (ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or (iii) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Draft Letter of Offer has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Draft Letter of Offer has been filed with the NSE. The NSE has given vide its letter no. [●] dated [●] permission to our Company to use NSE's name in this Draft Letter of Offer as one of the Stock Exchanges on which the Rights Issue Equity Shares are proposed to be listed. The NSE has scrutinized this Draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Letter of Offer has been cleared or approved by NSE, nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Letter of Offer; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other

soundness of our Company, the Promoters, its management or any scheme or project of our Company.

Every person who desires to apply for or otherwise acquire any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Selling Restrictions

The distribution of this Draft Letter of Offer and the issue of Rights Issue Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of Shares on a rights basis to the shareholders of our Company and will dispatch the Letter of Offer/Abridged Letter of Offer and CAFs to shareholders who have provided an Indian address.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI. Accordingly, the Rights Issue Equity Shares may not be offered or sold, directly or indirectly, and this Draft Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, those circumstances, this Draft Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer should not, in connection with the issue of the Rights Issue Equity Shares, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Issue Equity Shares.

Neither the delivery of this Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

For further details, please see "Notice to Overseas Shareholders" on page v of this Draft Letter of Offer.

Filing

This Draft Letter of Offer has been filed with the Corporation Finance Department of the SEBI, located at SEBI Western Regional Office, Unit No: 002, Ground Floor, SAKAR I, Near Gandhigram Railway Station, Opposite Nehru Bridge, Ashram Road, Ahmedabad – 380 009, India for its observations. After SEBI gives its observations, the final Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Companies Act.

Listing

The existing Equity Shares are listed on BSE and NSE. Our Company has made applications to BSE, and NSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Draft Letter of Offer. Our Company has received in-principle approvals from BSE by letter dated [●] and NSE by letter dated [●]. Our Company will apply to BSE and NSE for listing of the Rights Issue Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all monies received from applicants in pursuance of this Draft Letter of Offer. If such money is not paid within 8 days after we

becomes liable to repay it, then our Company and every Director of our Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

Issue Expenses

The Issue related expenses include, among others, fees payable to intermediaries including Lead manager, printing and distribution expenses, advertisement and marketing expenses and registrar, legal and depository fees among others and are estimated at ₹ [●] lacs (approximately [●] per cent of the total Issue size) and will be met out of the proceeds of the Issue.

| Particulars | Amount (₹ in lacs) | As percentage of total expenses | As a percentage of Issue size |
|--|-----------------------|---------------------------------------|-------------------------------------|
| Fees payable to intermediaries including Lead manager and Registrar to the Issue | [●] | [●] | [●] |
| Fees payable to SCSBs for processing ASBA forms | [●] | [●] | [●] |
| Advisors and Statutory Auditors | [●] | [●] | [●] |
| Bankers to the Issue | [●] | [●] | [●] |
| Others: | [●] | [●] | [●] |
| - Printing and stationery | [●] | [●] | [●] |
| - Listing fees | [●] | [●] | [●] |
| - Others | [●] | [●] | [●] |
| Total estimated Issue expenses | [●] | [●] | [●] |

Fees Payable to the Lead Manager to the Issue

The fees payable to the Lead Manager to the Issue are set out in the engagement letter issued by our Company to the Lead Manager entered into by our Company with the Lead Manager, copies of which are available for inspection at the registered office of our Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue are set out in the engagement letter issued by our Company to the Registrar.

Investor Grievances and Redressal System

The Company has adequate arrangements for redressal of Investor complaints as well as a well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for our Company is being handled by the Registrar and Share Transfer Agent, Sharepro Services (India) Private Limited. Letters are filed category wise after being attended to. The Redressal norm for response time for all correspondence including shareholders complaints is within 7 (seven) to 10 (ten) days.

The Shareholders/Investors Grievances Committee consists of Mr. Pradeep Goyal as Chairman and Mr. Arun Asher and Ms. Swati Mayekar as members of the said committee. All investor grievances received by our Company have been handled by the Registrar and Share Transfer agent in consultation with the compliance officer.

The contact details of the Registrar and Share Transfer agent to the company are as follows:

Sharepro Services (India) Private Limited

13AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road, Sakinaka,
Andheri (East), Mumbai – 400 072,
Maharashtra, India

Tel: +91 22 6772 0300;

Fax: +91 22 2859 1568

Email: abrahamkg@shareproservices.com

Website: www.shareproservices.com

Contact Person: Mr. Abraham K.G.

SEBI Registration Number: INR000001476

Investor grievances arising out of this Issue

Our Company's investor grievances arising out of the Issue will be handled by Sharepro Services (India) Private Limited, who is the Registrar to the Issue. The Registrar will have a separate team of personnel handling only post-Issue correspondence.

The agreement between our Company and the Registrar will provide for retention of records with the Registrar for a period of at least one year from the last date of dispatch of Allotment Advice/ share certificate / refund order to enable the Registrar to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 7-10 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. Our Company undertakes to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer at the below mentioned address and/ or Registrar to the Issue at the above mentioned address in case of any pre-Issue/ post -Issue related problems such as non-receipt of allotment advice/share certificates/ demat credit/refund orders etc.

Mr. K. M. Thacker

Company Secretary and Compliance Officer

Uniphos Enterprises Limited

8, Shri Krishna Commercial Centre
6, Udoyg Nagar, Off S. V. Road,
Goregaon (West),
Mumbai- 400 062

Tel: +91 22 2875 5486

Fax: +91 22 2875 3485

E-mail: thackerkm@uniphos.com

SECTION VII – OFFERING INFORMATION

TERMS OF THE ISSUE

The Rights Issue Equity Shares proposed to be issued are subject to the terms and conditions contained in the Draft Letter of Offer, the enclosed CAF, the Memorandum of Association and Articles of Association of our Company, the provisions of the Companies Act, the terms and conditions as may be incorporated in the Foreign Exchange Management Act, 1999, as amended (“FEMA”), guidelines and regulations issued by SEBI, guidelines, notifications and regulations for the issue of capital and for listing of securities issued by GoI and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or security certificate and rules as may be applicable and introduced from time to time. **All rights/obligations of Equity Shareholders in relation to application and refunds pertaining to this Issue shall apply to the renounce(s) as well.**

Basis for the Issue

The Rights Issue Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories for the purpose of this Rights Issue in respect of the Equity Shares held in the electronic form and on the register of members of our Company in respect of the Equity Shares held in physical form at the close of business hours on the Record Date, fixed in consultation with the Stock Exchanges.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Equity Shareholder of our Company as on the Record Date, i.e., [●], you are entitled to the number of Rights Issue Equity Shares as set out in Part A of the enclosed CAFs.

The distribution of the Letter of Offer and the issue of Rights Issue Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. The Company is making the issue of Rights Issue Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India. Any person who acquires Rights Entitlements or Rights Issue Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Rights Issue Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

PRINCIPAL TERMS OF THE EQUITY SHARES

Face Value

Each Equity Share will have the face value of ₹ 2.

Issue Price

Each Equity Share shall be offered at an Issue Price of ₹ [●] for cash at a premium of ₹ [●] per Equity Share. The Issue Price has been arrived at after consultation between our Company and the Lead Manager.

Entitlement Ratio

The Rights Issue Equity Shares are being offered on a rights basis to the Equity Shareholders in the ratio of [●] Equity Shares for every [●] Equity Shares held on the Record Date.

Terms of Payment

The full amount of ₹ [●] per Equity Share is payable on application.

Fractional Entitlements

Fractional Entitlements, if any, emanating from the proposed Issue would be rounded off to the next higher integer and the share required for the same shall be adjusted from one of the Promoter/ Promoter Group's entitlement at the time of allotment.

Ranking

The Rights Issue Equity Shares being issued shall be subject to the provisions of our Memorandum of Association and Articles of Association. The Rights Issue Equity Shares shall rank *pari passu*, in all respects including dividend, with our existing Equity Shares.

Listing and trading of Rights Issue Equity Shares proposed to be issued

The Company's existing Equity Shares are currently listed and traded on BSE (Scrip Code: 500429) and the NSE (Scrip Code – UNIENTER) under the ISIN INE037A01022. The fully paid up Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges under the existing ISIN for fully paid up Equity Shares of our Company.

The listing and trading of the Rights Issue Equity Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the schedule.

The Rights Issue Equity Shares allotted pursuant to this Issue will be listed as soon as practicable but in no case later than seven working days from the finalisation of the basis of allotment. The Company has made an application for "in-principle" approval for listing of the Rights Issue Equity Shares respectively to BSE and the NSE through letters dated [●] and [●] and has received such approval from BSE pursuant to the letter no. [●], dated [●] and from the NSE pursuant to letter no. [●], dated, [●].

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders of our Company shall have the following rights:

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

General Terms of the Issue

Market Lot

The Rights Issue Equity Shares are tradable only in dematerialized form. The market lot for the Rights Issue Equity Shares in dematerialised mode is one Equity Share. In case an Equity Shareholder holds Equity Shares in physical form, the Company would issue to the allottees one certificate for the Equity Shares allotted to each folio ("Consolidated Certificate"). In respect of Consolidated Certificates, the Company will upon receipt of a request from the respective holder of Equity Shares, split such Consolidated Certificates into smaller denominations within three weeks time from the receipt of the

request in respect thereof.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint tenants with the benefit of survivorship subject to the provisions contained in the Articles of Association.

Nomination

In terms of Section 109A of the Companies Act, nomination facility is available in respect of the Equity Shares. An Investor can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In case of Equity Shareholders who are individuals, a sole Equity Shareholder or the first named Equity Shareholder, along with other joint Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Rights Issue Equity Shares. A person, being a nominee, becoming entitled to the Rights Issue Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company or such other person at such addresses as may be notified by the Company. The Investor can make the nomination by filling in the relevant portion of the CAF. In terms of Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956, shall upon the production of such evidence as may be required by the Board, elect either:

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

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

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Rights Issue Equity Shares that may be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant (“DP”) of the investor would prevail. Any investor desirous of changing the existing nomination is requested to inform its respective DP.

Notices

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language daily newspaper with wide circulation in Gujarati daily and/or, will be sent by ordinary post/registered post/speed post to the registered holders of the Equity Shares from time to time.

Additional Subscription by the Promoters

The Promoters and Promoter Group have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. The Promoters and Promoter Group reserve their right to subscribe to its entitlement of Rights Issue Equity Shares in the Issue, either by itself or through a combination of entities belonging to the Promoter Group, including by subscribing for renunciations, if any, made by other entities in the Promoter Group or any other shareholder, subject to compliance with the Takeover Regulations. The Promoters and Promoter Group of our Company have provided an undertaking dated December 23, 2010 to our Company to apply for additional Rights Issue Equity Shares, to the extent of the unsubscribed portion of the Issue. As a result of this subscription, the Promoters and Promoter Group may acquire Rights Issue Equity Shares over and above their respective entitlements in the Issue, which may result in an increase of the shareholding of the Promoters and the Promoter Group above the current shareholding along with the Rights Entitlement. Such subscription and acquisition of additional Rights Issue Equity Shares by the Promoters and Promoter Group through the Issue, if any, will not result in change of control of the management of our Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Regulations. As such, other than meeting the requirements indicated in the chapter “Objects of the Issue” on page 16 of this Draft Letter of Offer, there is no other intention/purpose for the Issue, including any intention to delist our Company, even if, as a result of any Allotments in the Issue to the Promoters and the members of the Promoter Group, the shareholding of the Promoters and/or Promoters Group in our Company exceeds their current shareholding. The Promoters and Promoter Group intend to subscribe for any such unsubscribed portion as per the relevant provisions of the applicable law. The Promoters and Promoter Group shall subscribe to, and/or make arrangements for the subscription of, such unsubscribed portion as per the relevant provisions of law and in compliance with the listing agreement.

For details, please see the chapter “Terms of the Issue - Basis of Allotment” on page 82 of this Draft Letter of Offer.

Procedure for Application

The CAF for Rights Issue Equity Shares would be printed in black ink for all Equity Shareholders. In case the original CAFs are not received by the Investor or is misplaced by the Investor, the Investor may request the Registrars to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Equity Shareholder(s) does not match with the specimen registered with our Company, the application is liable to be rejected.

The CAF consists of four parts:

- Part A: Form for accepting the Rights Equity Shares and for applying for additional Rights Equity Shares;
- Part B: Form for renunciation;
- Part C: Form for application for renunciation;
- Part D: Form for request for split Application forms.

Acceptance of the Issue

You may accept the offer to participate and apply for the Rights Issue Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAFs and submit the same along with the application money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAFs before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard. Investors at centres not covered by the branches of collecting banks can send their CAFs together with the cheque drawn at par on a local bank at Mumbai/demand draft payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected. For further details on the mode of payment, see “Mode of Payment for Resident Equity Shareholders/Investors” and “Mode of Payment for Non-Resident Equity Shareholders/Investors” on pages 95 and 96, respectively of this Draft

Letter of Offer.

Option available to the Equity Shareholders

The CAFs will clearly indicate the number of Rights Issue Equity Shares that the Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Rights Issue Equity Shares, then he can:

- Apply for his Rights Entitlement of Rights Issue Equity Shares in full;
- Apply for his Rights Entitlement of Rights Issue Equity Shares in part;
- Apply for his Rights Entitlement of Rights Issue Equity Shares in part and renounce the other part of the Rights Issue Equity Shares;
- Apply for his Rights Entitlement in full and apply for additional Rights Issue Equity Shares;
- Renounce his Rights Entitlement in full.

Additional Rights Issue Equity Shares

You are eligible to apply for additional Rights Issue Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Rights Issue Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Issue Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, subject to sectoral caps and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under “Basis of Allotment” on page 82 of this Draft Letter of Offer.

If you desire to apply for additional Rights Issue Equity Shares, please indicate your requirement in the place provided for additional Rights Issue Equity Shares in Part A of the CAF. The Renouncee applying for all the Rights Issue Equity Shares renounced in their favour may also apply for additional Rights Issue Equity Shares.

Where the number of additional Rights Issue Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

This Issue includes a right exercisable by you to renounce the Rights Issue Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that our Company shall not Allot and/or register and Rights Issue Equity Shares in favour of more than three persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act, 1882 or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold equity shares, as the case may be). Additionally, existing Equity Shareholders may not renounce in favor of persons or entities in the United States or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of our Company who do not wish to subscribe to the Rights Issue Equity Shares being offered but wish to renounce the same in favour of Renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI

Notification No.20/2000-RB dated May 3, 2000 under FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of RBI if the investment is through Automatic Route on case by case basis. Shareholders renouncing their rights in favour of OCBs may do so provided such renouncee obtains a prior approval from the RBI. On submission of such approval to our Company at our Registered Office, the OCB shall receive the Abridged Letter of Offer and the CAF.

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for our Company of the person(s) applying for Rights Issue Equity Shares in Part 'C' of the CAF to receive Allotment of such Rights Issue Equity Shares. The Renounees applying for all the Rights Issue Equity Shares renounced in their favour may also apply for additional Rights Issue Equity Shares. Part 'A' of the CAF must not be used by the Renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any Rights Issue Equity Shares in favour of any other person.

Procedure for renunciation

To renounce all the Rights Issue Equity Shares offered to an Equity Shareholder in favour of one Renounee

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renounees, all joint Renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renounees, the CAF must be first split into requisite number of forms. Please indicate your requirement of SAFs in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Rights Issue Equity Shares, does not match with the specimen registered with our Company, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Rights Issue Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Bankers to the Issue on or before the Issue Closing Date along with the application money in full. The Renounee cannot further renounce.

Change and/or introduction of additional holders

If you wish to apply for Rights Issue Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of our Company shall be entitled in its absolute discretion to reject the request for Allotment from the Renounee(s) without assigning any reason therefor.

Instructions for Options

The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Rights Issue Equity Shares offered, using the enclosed CAF:

| Option Available | Action Required |
|---|---|
| 1. Accept whole or part of your Rights Entitlement without renouncing the balance. | Fill in and sign Part A (<i>All joint holders must sign</i>) |
| 2. Accept your Rights Entitlement in full and apply for additional Rights Issue Equity Shares | Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Rights Issue Equity Shares (<i>All joint holders must sign</i>) |
| 3. Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s) OR Renounce your Rights Entitlement to all the Rights Issue Equity Shares offered to you to more than one Renouncee | Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for SAFs. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once. On receipt of the SAF take action as indicated below. For the Rights Issue Equity Shares you wish to accept, if any, fill in and sign Part A. For the Rights Issue Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Rights Issue Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncee should fill in and sign Part C for the Rights Issue Equity Shares accepted by them. |
| 4. Renounce your Rights Entitlement in full to one person (<i>Joint Renouncees are considered as one</i>). | Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Rights Issue Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>) |
| 5. Introduce a joint holder or change the sequence of joint holders | This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C. |

Please note that:

- Part 'A' of the CAF must not be used by any person(s) other than the Equity Shareholder to whom this Draft Letter of Offer has been addressed. If used, this will render the application invalid.
- Request for Split Application Forms/SAF should be made for a minimum of one Equity Share or, in either case, in multiples thereof and one SAF for the balance Rights Issue Equity Shares, if any.
- Request by the Investor for the SAFs should reach the Registrar on or before [●].
- Only the Equity Shareholder to whom this Draft Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.
- SAFs will be sent to the Investor (s) by post at the applicant's risk.
- Equity Shareholders may not renounce in favor of persons or entities in the United States or who

would otherwise be prohibited from being offered or subscribing for Rights Issue Equity Shares or Rights Entitlement under applicable securities laws.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within [●] days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Investor violates such requirements, he / she shall face the risk of rejection of both the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with Demand Draft, net of bank and postal charges payable at Mumbai which should be drawn in favour of the “[●]” and the Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

The envelope should be super scribed “[●]” and should be postmarked in India. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with our Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Uniphos Enterprise Limited;
- Name and address of the Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Rights Issue Equity Shares entitled to;
- Number of Rights Issue Equity Shares applied for;
- Number of additional Rights Issue Equity Shares applied for, if any;
- Total number of Rights Issue Equity Shares applied for;
- Total amount paid at the rate of ₹ [●] per Equity Share;
- Particulars of cheque/draft;
- Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order; and
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number of the Investor and for each Investor in case of joint names, irrespective of the total value of the Rights Issue Equity Shares applied for pursuant to the Issue.
- Additionally, all such applicants are deemed to have accepted the following:

“I/We understand that neither the Rights Entitlement nor the Rights Issue Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States”). I/we understand the Rights Issue Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company will accept subscriptions from any person, or the agent

of any person, who appears to be, or who our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company has reason to believe is, a resident of the United States.

I/We will not offer, sell or otherwise transfer any of the Rights Issue Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Rights Issue Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Rights Issue Equity Shares is/are, outside the United States, and (ii) is/are acquiring the Rights Entitlement and/or the Rights Issue Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of both the applications. The Company shall refund such application amount to the Investor without any interest thereon.

Last date for Application

The last date for submission of the duly filled in CAF is [●].

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Rights Issue Equity Shares hereby offered, as provided under the chapter “Terms of the Issue – Basis of Allotment” on page 82 of this Draft Letter of Offer.

Basis of Allotment

Subject to the provisions contained in the Letter of Offer, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board will proceed to Allot the Rights Issue Equity Shares in the following order of priority:

- (a) Full Allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/ have applied for Rights Issue Equity Shares renounced in their favour, in full or in part.
- (b) Allotment to the Equity Shareholders who having applied for all the Rights Issue Equity Shares offered to them as part of the Issue and have also applied for additional Rights Issue Equity Shares. The Allotment of such additional Rights Issue Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Rights Issue Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full Allotment in (a) and (b)

above. The Allotment of such Rights Issue Equity Shares will be at the sole discretion of the Board / Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential Allotment.

- (c) Allotment to Renounees who having applied for all the Rights Issue Equity Shares renounced in their favour, have applied for additional Rights Issue Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Rights Issue Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential Allotment.

After taking into account Allotment to be made under (a) to (c) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Code. The Promoters and Promoter Group have confirmed that they intend to subscribe to the full extent of their Rights Entitlement in the Issue. Subject to compliance with the Takeover Code, the Promoters and Promoter Group reserve their right to subscribe for Rights Issue Equity Shares in this Issue by subscribing for renunciation, if any, made by any other Promoters or Promoter Group or any other shareholders. The Promoters and Promoter Group have provided an undertaking dated December 23, 2010 to our Company to apply for additional Rights Issue Equity Shares, to the extent of the unsubscribed portion of the Issue. As a result of this subscription and consequent Allotment, the Promoters and Promoter Group may acquire Rights Issue Equity Shares over and above their Rights Entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the Rights Entitlement. Such subscription and acquisition of additional Rights Issue Equity Shares by the Promoters and the Promoter Group through this Issue, if any, will not result in change of control of the management of our Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the chapter "Objects of the Issue" on page 16 of this Draft Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist our Company, even if, as a result of Allotments to the Promoters and Promoter Group, in this Issue, the Promoters' shareholding in our Company exceeds their current shareholding. The Promoters and Promoter Group shall subscribe to such unsubscribed portion as per the relevant provisions of the law. The Promoters and the Promoter Group shall subscribe to, and/or make arrangements for the subscription of, such unsubscribed portion as per the relevant provisions of law and in compliance with the listing agreement.

PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT ("ASBA") PROCESS

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. The Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

The Lead Manager, the Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

The list of banks who have been notified by SEBI to act as SCSBs for the ASBA Process is provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSBs collecting the CAF, please refer the above mentioned SEBI link.

Equity Shareholders who are eligible to apply under the ASBA Process

The option of applying for Rights Issue Equity Shares through the ASBA Process is available to all Equity Shareholders of our Company on the Record Date.

CAF

The Registrar will despatch the CAF to all Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Equity Shareholders who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A and Part C of the CAF respectively. Application in electronic mode will only be available with such SCSBs who provide such facility. The Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Acceptance of the Issue

You may accept the Issue and apply for the Rights Issue Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard.

Mode of payment

The Equity Shareholder applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB.

After verifying that sufficient funds are available in the bank account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar. Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per the Registrar's instruction from the bank account with the SCSB mentioned by the Equity Shareholder in the CAF. This amount will be transferred in terms of the SEBI Regulations, into the separate bank account maintained by our Company as per the provisions of section 73(3) of the Companies Act. The balance amount remaining after the finalisation of the basis of Allotment shall be either unblocked by the SCSBs or refunded to the Investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

The Equity Shareholders applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the Equity Shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Company would have a right to reject the application only on technical grounds.

Options available to the Equity Shareholders applying under the ASBA Process

The summary of options available to the Equity Shareholders are presented below. You may exercise any of the following options with regard to the Rights Issue Equity Shares, using the respective CAFs received from Registrar:

| Option Available | | Action Required |
|------------------|--|--|
| 1. | Accept whole or part of your Rights Entitlement without renouncing the balance. | Fill in and sign Part A of the CAF (<i>All joint holders must sign</i>) |
| 2. | Accept your Rights Entitlement in full and apply for additional Rights Issue Equity Shares | Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Rights Issue Equity Shares (<i>All joint holders must sign</i>) |

The Equity Shareholders applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAFs would be treated as if the Equity Shareholder have selected to apply through the ASBA process option.

Additional Rights Issue Equity Shares

You are eligible to apply for additional Rights Issue Equity Shares over and above the number of Rights Issue Equity Shares that you are entitled to, provided that you are eligible to apply for Rights Issue Equity Shares under applicable law and you have applied for all the Rights Issue Equity Shares (as the case may be) offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Issue Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “Terms of the Issue - Basis of Allotment” on page 82 of this Draft Letter of Offer.

If you desire to apply for additional Rights Issue Equity Shares please indicate your requirement in the place provided for additional Rights Issue Equity Shares in Part A of the CAF.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper. Applications on plain paper will not be accepted from any U.S. address.

The envelope should be superscribed “[●]” and should be postmarked in India. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per the specimen recorded with our Company, must reach the SCSBs before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Uniphos Enterprise Limited;
- Name and address of the Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Rights Issue Equity Shares entitled to;
- Number of Rights Issue Equity Shares applied for;
- Number of additional Rights Issue Equity Shares applied for, if any;
- Total number of Rights Issue Equity Shares applied for;
- Total amount to be blocked at the rate of ₹ [●] per Equity Share; and
- Except for applications on behalf of the Central or State Government and the officials appointed by the courts, PAN number of the Investor and for each Investor in case of joint names, irrespective of the total value of the Rights Issue Equity Shares applied for pursuant to the Issue.
- Additionally, all such applicants are deemed to have accepted the following:

“I/We understand that neither the Rights Entitlement nor the Rights Issue Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States”). I/we understand the Rights Issue Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Rights Issue Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Rights Issue Equity Shares or Rights Entitlement in the United States. I/we understand that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company has reason to believe is, a resident of the United States or other restricted jurisdiction.

I/We will not offer, sell or otherwise transfer any of the Rights Issue Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Rights Issue Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, and (ii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Option to receive Rights Issue Equity Shares in Dematerialized Form

EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD OR THE DETAILS OF THE DEPOSITORY ACCOUNT AS MENTIONED BY RENOUNCEE(S) IN THE APPLICATION FORM.

General instructions for Equity Shareholders applying under the ASBA Process

- (a) Please read the instructions printed on the CAF carefully.
- (b) Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected. The CAF must be filled in English.
- (c) The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Issue.

-
- (d) All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, **CAFs without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be “suspended credit” and no allotment and credit of Rights Issue Equity Shares shall be made into the accounts of such Investors.**
- (e) All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company/or Depositories.
- (g) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. In case of joint applicants, reference, if any, will be made in the first applicant’s name and all communication will be addressed to the first applicant.
- (h) All communication in connection with application for the Rights Issue Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole applicant Equity Shareholder, folio numbers and CAF number.
- (i) Only the person or persons to whom the Rights Issue Equity Shares have been offered and renouncee(s) shall be eligible to participate under the ASBA Process.
- (j) Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Rights Issue Equity Shares under applicable securities laws are eligible to participate.

Do’s:

- a. Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in.
- b. Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- c. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Rights Issue Equity Shares will be allotted in the dematerialized form only.
- d. Ensure that your Indian address is available to our Company and the Registrar, in case you hold Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form;
- e. Ensure that the CAFs are submitted at the SCSBs and details of the correct bank account have been provided in the CAF.

-
- f. Ensure that there are sufficient funds (equal to {number of Rights Issue Equity Shares as the case may be applied for} X {Issue Price of Rights Issue Equity Shares, as the case may be}) available in the bank account maintained with the SCSB mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
 - g. Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the bank account maintained with the respective SCSB, of which details are provided in the CAF and have signed the same.
 - h. Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.
 - i. Except for CAFs submitted on behalf of the Central or State Government and the officials appointed by the courts, each applicant should mention their PAN allotted under the I. T. Act.
 - j. Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
 - k. Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

- a. Do not apply if you are in the United States or are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- b. Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- c. Do not pay the amount payable on application in cash, by money order or by postal order.
- d. Do not send your physical CAFs to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- e. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- f. Do not instruct your respective banks to release the funds blocked under the ASBA Process.

Grounds for Technical Rejection under the ASBA Process

In addition to the grounds listed under “Grounds for Technical Rejection” on page 95 of this Draft Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

- a) Application for Rights Entitlements or additional shares in physical form.
- b) DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- c) Sending CAF to a Lead Manager / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- d) Insufficient funds are available with the SCSB for blocking the amount.
- e) Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- f) Account holder not signing the CAF or declaration mentioned therein.

-
- g) CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
 - h) CAFs which have evidence of being executed in/dispatched from restricted jurisdiction.

Depository account and bank details for Equity Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

Equity Shareholders applying under the ASBA Process should note that on the basis of name of these Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Equity Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblock of bank account of the respective Equity Shareholder. The Demographic Details given by the Equity Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking or refund (if any) would be mailed at the address of the Equity Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account linked to the DP ID. Equity Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of bank account may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of bank account.

Note that any such delay shall be at the sole risk of the Equity Shareholders applying under the ASBA Process and none of our Company, the SCSBs or the Lead Manager shall be liable to compensate the Equity Shareholder applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such applications are liable to be rejected.

Underwriting

The Issue is not underwritten.

Issue Schedule

| | |
|---|-----|
| Issue Opening Date: | [●] |
| Last date for receiving requests for SAFs: | [●] |
| Issue Closing Date: | [●] |

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Allotment Advices / Refund Orders

The Company will issue and dispatch Allotment advice/ share certificates/demat credit and/or letters of regret along with refund order or credit the allotted Rights Issue Equity Shares to the respective beneficiary accounts, if any, within a period of 10 days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to repay it, (i.e. 10 days after the Issue Closing Date or the date of the refusal by the Stock Exchange(s), whichever is earlier) our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to pay the money with interest as prescribed under Section 73 of the Companies Act.

Investors residing at centers where clearing houses are managed by the RBI will get refunds through Electronic Clearing Service (“ECS”) except where Investors have not provided the details required to send electronic refunds.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Rights Issue Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and our Company issues letter of allotment, the corresponding share certificates will be kept ready within three months from the date of Allotment thereof or such extended time as may be approved by our Company Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information, please see the chapter “Terms of the Issue” on page 74 of this Draft Letter of Offer.

The letter of allotment / refund order exceeding ₹ 1,500 would be sent by registered post/speed post to the sole/first Investors registered address. Refund orders up to the value of ₹ 1,500 would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked ‘Account Payee only’ and would be drawn in favour of the sole/first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through any of the following modes:

1. ECS – Payment of refund would be done through ECS for Investors having an account at any of the 68 centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a

cheque leaf, from the Depositories/the records of the Registrar. The payment of refunds is mandatory for Investors having a bank account at any centre where ECS facility has been made available (subject to availability of all information for crediting the refund through ECS).

2. NEFT – Payment of refund shall be undertaken through NEFT wherever the Investors’ bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the registrar to our Company or with the depository participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
3. Direct Credit – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
4. RTGS – If the refund amount exceeds ₹ 50 lacs, the investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor’s bank receiving the credit would be borne by the Investor.
5. For all other Investors the refund orders will be despatched under certificate of posting for value up to ₹ 1,500 and through Speed Post/ Registered Post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.
6. Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force, and is permitted by the SEBI from time to time.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor’s bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice / Share Certificates/ Demat Credit

Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 days, from the Issue Closing Date. In case our Company issues Allotment advice, the relative shared certificates will be dispatched within one month from the date of the Allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates.

Option to receive Rights Issue Equity Shares in Dematerialized Form

Investors shall be allotted the Rights Issue Equity Shares in dematerialized (electronic) form at the option of the Investor. The Company has signed a tripartite agreement with NSDL on May 2, 1997 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates. The Company has also signed a tripartite agreement with CDSL

on April 9, 1999 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, the allottees who have opted for Rights Issue Equity Shares in dematerialized form will receive their Rights Issue Equity Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Rights Issue Equity Shares to the Investor's depository account. CAFs, which do not accurately contain this information, will be given the Rights Issue Equity Shares in physical form. No separate CAFs for Rights Issue Equity Shares in physical and/or dematerialized form should be made.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Rights Issue Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.*
- For Equity Shareholders already holding Equity Shares in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Issue Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Rights Issue Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of our Company.

The responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-à-vis such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in CAF should be the same as registered with the Investor's depository participant.

If incomplete / incorrect beneficiary account details are given in the CAF the Investor will get Rights Issue Equity Shares in physical form.

The Rights Issue Equity Shares allotted to applicants opting for issue in dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to him the confirmation of the credit of such Rights Issue Equity Shares to the applicant's depository account.

Renounees will also have to provide the necessary details about their beneficiary account for Allotment of Rights Issue Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

General instructions for Investors

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by our Company except as mentioned under the head “Application on Plain Paper” on page 81 of this Draft Letter of Offer and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father’s / husband’s name must be filled in block letters.

The CAF together with the cheque/demand draft should be sent to the Bankers to the Issue/Collecting Bank or to the Registrar to the Issue and not to our Company or Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai of an amount net of bank and postal charges and send their CAFs to the Registrar to the Issue by registered post. If any portion of the CAF is/are detached or separated, such application is liable to be rejected.

Applications where separate cheques/demand drafts are not attached for amounts to be paid for Rights Issue Equity Shares are liable to be rejected.

- (c) Except for applications on behalf of the Central and State Government, the residents of Sikkim and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN number allotted under the I.T. Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**
- (d) Investors are advised that it is mandatory to provide information as to their savings/current account number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- (e) All payment should be made by cheque/demand draft only. Application through the ASBA process as mentioned above is acceptable. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company.
- (g) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with our Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the

application submitted to the Bankers to the Issue.

- (h) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint Investors who are Renounees, the number of Investors should not exceed three. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (i) Application(s) received from NRs/NRIs, or persons of Indian origin residing abroad for Allotment of Rights Issue Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, export of share certificates, etc. In case a NR or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs/NRIs in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Rights Issue Equity Shares may be restricted by applicable securities laws.
- (j) All communication in connection with application for the Rights Issue Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of Allotment, should be sent to the Registrar and Transfer Agents of our Company, in the case of Rights Issue Equity Shares held in physical form and to the respective depository participant, in case of Rights Issue Equity Shares held in dematerialized form.
- (k) SAFs cannot be re-split.
- (l) Only the person or persons to whom Rights Issue Equity Shares have been offered and not Renounee(s) shall be entitled to obtain SAFs.
- (m) Investors must write their CAF number at the back of the cheque /demand draft.
- (n) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (o) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected.
- (p) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- (q) The distribution of the Draft Letter of Offer and issue of Rights Issue Equity Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to disregard the Draft Letter of Offer and not to attempt to subscribe for Rights Issue Equity Shares.

Grounds for Technical Rejections

Investors are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable;
- Bank account details (for refund) are not given;
- Age of Investor(s) not given (in case of renounees);
- Except for CAFs on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number not given for application of any value;
- In case of CAF under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted;
- If the signature of the Equity Shareholder does not match with the one given on the CAF and for renounee(s) if the signature does not match with the records available with their depositories;
- CAFs are not submitted by the Investors within the time prescribed as per the CAF and the Letter of Offer;
- CAFs not duly signed by the sole/joint Investors;
- CAFs by OCBs without specific RBI approval;
- CAFs accompanied by Stockinvest;
- In case no corresponding record is available with the depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- CAFs that do not include the certifications set out in the CAF to the effect that, among other thing, the subscriber is not located in restricted jurisdictions and is authorized to acquire the Rights Entitlements and Rights Issue Equity Shares in compliance with all applicable laws and regulations;
- CAFs which have evidence of being executed in/dispatched from restricted jurisdictions;
- CAFs by ineligible non-residents (including on account of restriction or prohibition under applicable local laws) and where a registered address in India has not been provided;
- CAFs where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements;
- In case the GIR number is submitted instead of the PAN;
- Applications by renounees who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.

Please read the Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Mode of payment for Resident Equity Shareholders/ Investors

- All cheques / drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed 'A/c Payee only' and marked "[●]";
- Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges favouring the Bankers to the Issue, crossed 'A/c Payee only' and marked "[●]" payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The Issue of Rights Issue Equity Shares to a single FII should not exceed 10% of the post-issue paid up capital of our Company. In respect of an FII investing in the Issue on behalf of its sub-accounts the investment on behalf of each sub-account shall not exceed 5% of the total paid up capital of our Company.

Applications will not be accepted from FIIs in restricted jurisdictions.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. Applications will not be accepted from FIIs in restricted jurisdictions.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Mode of payment for Non-Resident Equity Shareholders/ Investors

As regards the application by non-resident Equity Shareholders, the following conditions shall apply:

- Individual non-resident Indian applicants who are permitted to subscribe for Rights Issue Equity Shares by applicable local securities laws can obtain application forms from the following address:

Sharepro Services (India) Private Limited
Registration Number: INR000001476
13AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road,
Sakinaka, Andheri (East)
Mumbai – 400 072.
Tel: +91 22 6772 0300
Fax: +91 22 2859 1568
Email: abrahamkg@shareproservices.com
Website: www.shareproservices.com
Contact Person: Mr. Abraham K.G.

- Payment by non-residents must be made by demand draft payable at Mumbai/cheque payable drawn on a bank account maintained at Mumbai or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque/draft on a Non-Resident External Account (NRE) or FCNR Account maintained in India; or
- By Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable

in Mumbai; or FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

- Non-resident investors applying with repatriation benefits should draw cheques/drafts in favour of '[●]' and must be crossed 'account payee only' for the full application amount, net of bank and postal charges.

Application without repatriation benefits

- As far as non-residents holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in India or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the Allotment of Rights Issue Equity Shares will be on non-repatriation basis.
- All cheques/drafts submitted by non-residents applying on a non-repatriation basis should be drawn in favour of '[●]' and must be crossed 'account payee only' for the full application amount, net of bank and postal charges. The CAFs duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- Investors may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.
- New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Notes:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Issue Equity Shares can be remitted outside India, subject to tax, as applicable according to the IT Act.
- In case Rights Issue Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Rights Issue Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act which is reproduced below:

“Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or otherwise induces a Company to Allot, or register any transfer of shares

therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”.

Dematerialized dealing

The Company has entered into agreements dated May 2, 1997 and April 9, 1999 with NSDL and CDSL, respectively.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn. Hence, payment through Stockinvest would not be accepted in this Issue.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by our Company. However, the Bankers to the Issue / Registrar to the Issue / SCSBs receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Rights Issue Equity Shares allotted, will be refunded to the Investor within a period of 10 days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to repay it, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under Section 73 of the Companies Act.

For further instructions, please read the CAF carefully.

Utilisation of Issue Proceeds

The Board of Directors declares that:

- (i) All monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Companies Act;
- (ii) Details of all monies utilized out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;
- (iii) Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested; and
- (iv) The Company may utilize the funds collected in the Issue only after listing and trading permission is received from the Stock Exchanges in respect of this Issue.

Undertakings by our Company

Our Company undertakes the following:

1. The complaints received in respect of the Issue shall be attended to by our Company expeditiously and

satisfactorily.

2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock exchanges where the Rights Issue Equity Shares are to be listed will be taken within seven working days of finalization of basis of Allotment.
3. The funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by our Company.
4. The Company undertakes that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 10 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. Adequate arrangements shall be made to collect all ASBA applications and to consider then similar to non-ASBA applications while finalising the basis of Allotment.
6. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
7. No further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Letter of Offer Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
8. At any given time there shall be only one denomination of equity shares of our Company.
9. Our Company accepts full responsibility for the accuracy of information given in this Draft Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Draft Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
10. All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
11. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, our Company shall forthwith refund the entire subscription amount received within 15 days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to repay it, (i.e. 15 days after the Issue Closing Date or the date of the refusal by the Stock Exchange(s), whichever is earlier) our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of Section 73 of the Companies Act.

Important

- Please read this Draft Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Draft Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

-
- All enquiries in connection with this Draft Letter of Offer or accompanying CAF and requests for SAFs must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and super scribed 'Uniphos-Rights Issue' on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

Sharepro Services (India) Private Limited

Registration Number: INR000001476

13AB, Samhita Warehousing Complex,

2nd Floor, Sakinaka Telephone Exchange Lane,

Off Andheri Kurla Road,

Sakinaka, Andheri (East)

Mumbai – 400 072.

Tel: +91 22 6772 0300

Fax: +91 22 2859 1568

Email: sharepro@vsnl.com

Website: www.shareproservices.com

Contact Person: Mr. Abraham K.G.

- It is to be specifically noted that this Issue of Rights Issue Equity Shares is subject to the risk factors mentioned in the chapter "Risk Factors" on page ix of this Draft Letter of Offer.

The Issue will remain open for a minimum 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

SECTION VIII – STATUTORY AND OTHER INFORMATION

Option to subscribe

Other than the present Issue, and except as disclosed in the section “Terms of the Issue” on page 74 of this Draft Letter of Offer, our Company has not given any person any option to subscribe to the Rights Issue Equity Shares.

The Investors shall have an option to get the Equity Shares offered in this Issue in physical or dematerialized form.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to in para (A) below (not being contracts entered into in the ordinary course of business carried on by the company) which are or may be deemed material have been entered into by our Company.

The contracts together with the documents referred to in para (B) below may be inspected at the registered office of our company between 11.00 a.m. to 2.00 p.m. on any working day from the date of this Letter of Offer until the closure of the subscription list.

(A) MATERIAL CONTRACTS

1. Memorandum of Understanding (MOU) dated December 23, 2010 between the Company and Keynote Corporate Services Ltd., Lead Manager to the issue.
2. MOU dated December 23, 2010 between Company & Sharepro Services (I) Ltd., Registrar to the issue.
3. Tripartite Agreement dated May 2, 1997 between the Company, National Securities Depository Ltd. (NSDL) and Sharepro Services (I) Pvt. Ltd.
4. Tripartite Agreement dated April 9, 1999 between the Company, Central Depository Services (India) Limited (CDSL) and Sharepro Services (I) Pvt. Ltd.

(B) DOCUMENTS FOR INSPECTION

1. Memorandum & Articles of Association of our Company;
2. Certificate of incorporation of our Company dated May 29, 1969 and subsequent fresh certificates of incorporation dated August 22, 1983, February 3, 1986, November 25, 1992, March 30, 1993 and October 8, 2003;
3. Resolution of the Board of Directors under section 81(1) of Companies Act, 1956 passed in its meeting dated December 23, 2010 authorising the Issue;
4. Annual reports of our Company for the year ended March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010;
5. Limited Review Report dated October 26, 2010 by M/s. S.V. Ghatalia & Associates, Chartered Accountants & Statutory Auditors of our Company for the quarter ended September 30, 2010;
6. Report of M/s. S.V. Ghatalia & Associates, Chartered Accountants & Statutory Auditors of our Company dated December 23, 2010 on summary financial statements of our Company for the financial year ended March 31, 2010 & for six months period ended September 30, 2010;
7. A statement of tax benefits dated December 28, 2010 received from M/s. S.V. Ghatalia & Associates, Chartered Accountants & Statutory Auditors of our Company regarding tax benefits available to our Company and its shareholders;
8. Certificate dated December 29, 2010 from M/s. Jawahar Thacker & Co., Chartered Accountants regarding "sources & deployment of funds";
9. Letter of Offer dated May 31, 1993 in respect of preceding rights issue made by our Company;

-
10. Scheme of Arrangement and Re-structuring in the nature of a de-merger approved by the Hon'ble High Court of Gujarat at Ahmedabad on August 28, 2003 pursuant to which all the assets and liabilities pertaining to the manufacturing division of United Phosphorus Limited ("UPL") were transferred to Search Chem Industries Limited ("SCIL"). UPL was renamed as Uniphos Enterprises Limited and SCIL was renamed as United Phosphorus Limited;
 11. Consents of the Directors, Company Secretary & Compliance Officer, Statutory Auditors, Lead Manager to the Issue, Legal Advisor to the Issue, Bankers to our Company and Registrar to the Issue to include their names in the Draft Letter of Offer to act in their respective capacities;
 12. Certificate dated December 23, 2010 from our Company as regards compliance with conditions enumerated in Para 1 of Part E under Schedule VIII of SEBI Regulations;
 13. Due Diligence Certificate dated December 29, 2010 by Keynote Corporate Services Ltd., Lead Manager to the Issue;
 14. In-principle listing approval(s) dated [•] and [•] from BSE & NSE respectively;
 15. Observation letter no. [•] dated [•] received from SEBI;

SECTION IX - DECLARATION

We hereby certify that no statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with this Issue as also the guidelines, instructions, etc., issued by SEBI, Government and any other competent authority in this behalf, have been duly complied with. We further certify that all disclosures made in the Draft Letter of Offer are true and correct.

| Name | Signature |
|--|------------------|
| Mr. Rajnikant Devidas Shroff <i>Chairman and Managing Director</i> | Sd/- |
| Mrs. Sandra Rajnikant Shroff <i>Non Executive Vice Chairman</i> | Sd/ |
| Mr. Jaidev Rajnikant Shroff <i>Non-Executive Director</i> | Sd/ |
| Mr. Arun Chandrasen Ashar <i>Independent Director</i> | Sd/ |
| Mr. Pradeep Goyal <i>Independent Director</i> | Sd/ |
| Mrs. Swati Sandesh Mayekar <i>Independent Director</i> | Sd/ |

Place: Mumbai

Date: December 29, 2010