ARTICLE ON ISSUE OF FOREIGN CURRENCE EXCHANGABLE BONDS (FCEBs)

INTRODUCTIONS

Traditionally, overseas acquisitions were being funded through a verity of sources such as drawl of Foreign Exchange in India, Capitalization of Exports, External Commercial Borrowings (ECBs), Foreign Currency Convertible Bonds (FCCBs), Shares conversion/exchanges through American Depository Receipts (ADRs)/Global Depository Receipts (GDRs), Preference Shares (i.e. non-convertible, optionally convertible or partially convertible) and balance held in Exchange Earner's Foreign Currency Accounts (EEFCs). A substantial portion of foreign investments take place through Special Purpose Vehicles (SPVs) set-up in overseas for specific purpose, Existing Wholly Owned Subsidiaries (WOS)/Joint Ventures (JV) are being used to fund acquisitions through Leverage Bay-Out (LBO) Rout.

Mr. P. Chidambaram, India's Finance Minister in his Budget speech 2007-08 promised a mechanism for Indian Companies to unlock part of their holdings in its group companies to meet financing needs by issuing exchangeable bonds. This led to the formulation of new scheme in February 15, 2008, of the Issue of Foreign Currency Exchangeable Bonds Scheme 2008 vide Notification GSR 89 (E). In order to facilitated the issuing of Foreign Currency Exchangeable Bonds (FCEBs) by Indian Companies the Reserve Bank of India issue a A.P. (DIR Series) Circular No. 17 dated September 23, 2008 to operation the above mention FCEB Scheme 2008.

DEFINITION OF FOREIGN CURRENCY EXCHANGABLE BONDS (FCEBs)

Regulation 2(s) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Second Amendment) Regulations, 2009 defines Foreign Currency Exchangeable Bond (FCEB) means "a bond expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency, issued by an Issuing Company and subscribed to by a person who is a resident outside India, in foreign currency and exchangeable into equity share of another company, to be called the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments. The FCEB may be denominated in any freely convertible foreign currency".

FCEB as defined in the Regulation includes the following:

(1) FCEB is a bond expressed in foreign currency;
(2) The principle amount and interest thereon payable in foreign currency
(3) The Bond is issued by an Issuing Company
(4) The Bond is exchangeable into equity shares of Offered Company
(5) FCEBs are subscribed by a person resident outside India

(6) FCEBs are issued either wholly or partly or on the basis of any equity related warrants attached to debt instruments

ISSUING COMPANY

As per Regulation 2(t) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Second Amendment) Regulations, 2009, "Issuing Company" means a company registered under the Companies Act, 1956 (1 of 1956) and eligible to issue Foreign Currency Exchangeable Bond under these regulations.

As per definition, the Issuing Company should be an Indian Company and should also be eligible to issue FCEBs. The words "eligible to issue "used in definition connotes that the Issuing Company satisfies certain conditions and from perusal of the Scheme the conditions can be inferred to refer to the following:

- compliance with the provisions of the Companies Act, 1956 and necessary approvals of its Board of Directors and shareholders; and

- compliance with all the applicable provisions of the Securities and Exchange Board of India Act, Rules, Regulations or Guidelines (with respect to disclosures of their shareholding in the Offered Company).

The Issuing Company shall be part of the promoter group of the Offered Company and shall hold the equity shares being offered at the time of issuance of FCEBs. In other words, if Company X issues FCEBs then the FCEBs will be convertible into equity shares of Company Y that are held by Company X and where Company X and Company Y form part of the same promoter group and Company Y shall be Listed Company.

OFFERED COMPANY

As per Regulation 2(u) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Second Amendment) Regulations, 2009, "Offered Company" means a company registered under the Companies Act, 1956 (1 of 1956) and whose equity share/s is / are offered in exchange of the Foreign Currency Exchangeable Bond.

The Offered Company is also an India Company and its shares should be listed on Stock Exchanges. The definition of Offered Company thus excludes those promoter group companies which are not listed. Further, the Regulations specifically provide that the Offered Company should belong to a sector permitted to receive Foreign Direct Investment (FDI) and should also meet eligibility conditions to issue or avail Foreign Currency Convertible Bonds (FCCBs) or External Commercial Bond (ECB).

PROMOTER GROUP

As per Regulation 2(u) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Second Amendment) Regulations, 2009, "promoter group" has the same meaning as defined in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000".

Now the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000" has been replaced by Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. Regulation 2 (1) (zb) of the said regulations says "promoter group" includes:

(i) the promoter;

(ii) an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and

(iii) in case promoter is a body corporate:

> (A) a subsidiary or holding company of such body corporate;
>
> (B) any body corporate in which the promoter holds ten per cent. or more of the equity share capital or which holds ten per cent. or more of the equity share capital of the promoter;
>
> (C) any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent. or more of the equity share capital in that body corporate also holds twenty per cent. or more of the equity share capital of the issuer; and

(iv) in case the promoter is an individual:

> (A) any body corporate in which ten per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;
>
> (B) any body corporate in which a body corporate as provided in (A) above holds ten per cent. or more, of the equity share capital;
>
> (C) any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than ten per cent. of the total; and

(v) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group":

Provided that a financial institution, scheduled bank, foreign institutional investor and mutual fund shall not be deemed to be promoter group merely by virtue of the fact that ten per cent. or more of the equity share capital of the issuer is held by such person:

Provided further that such financial institution, scheduled bank and foreign institutional investor shall be treated as promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them;

ELIGIBLE ISSUER

The eligible issuer under the Scheme is the Issuing Company which shall be part of the promoter group of the Offered Company and shall hold the equity shares being offered at the time of issue of FCEBs and the Offered Company is the listed company, which is engaged in a sector eligible to receive Foreign Direct Investment (FDI) and eligible to issue or avail of Foreign Currency Convertible Bond (FCCBs) or External Commercial Borrowings (ECBs).

RESTRICTION ON ISSUE OF FCEB

The Regulations prohibits issue of FCEB by certain companies on the basis of following grounds:

(i) An Indian company, which is not eligible to raise funds from the Indian securities market;
(ii) A company which has been restrained from accessing the securities market by the SEBI
(iii) Entities prohibited to buy, sell or deal in securities by SEBI

The language of restriction is similar to that used in Regulation 3(1) (A) of the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) Scheme 2003 (the FCCB Scheme). This regulation has been interpreted by the RBI to mean that only listed companies are eligible to issue FCCB. The RBI may take a similar view of the eligibility of issuing companies under the FCEB scheme. However, in our view, since the FCEB Scheme required the offered company to be listed, an additional requirement that the issuing company also be listed should not be necessary.

The Regulations provides for certain restrictions on subscribers of FCEB as follows:

- subscribers to the FCEB are required to comply with FDI policy and sectoral caps at the time of issuance of FCEB. Hence, prior approval of FIPB would be required in those sectors which require such approval under FDI policy;
- entities prohibited to buy, sell or deal in securities by SEBI are not allowed to subscribe to FCEB.

The Scheme also provides for certain restrictions on the Issuing Company in the following manner:

- the Issuing Company is not permitted to transfer, mortgage or offer as collateral or trade in the Offered Shares from the date of issuance of the FCEB till the date of exchange or redemption; and

- the Issuing Company must keep the Offered Shares free from all encumbrances from the date of issuance of the FCEB till the date of exchange or redemption.

The Issuing Company intending to offer shares of the offered company under Foreign Currency Exchangeable Bond shall comply with all the applicable provisions of the Securities and Exchange Board of India Act, Rules, Regulations or Guidelines with respect to disclosures of their shareholding in the Offered Company.

ELIGIBLE SUBSCRIBER

Entities complying with the Foreign Direct Investment policy and adhering to the sectoral caps at the time of issue of FCEB can subscribe to FCEB. Prior approval of the Foreign Investment Promotion Board, wherever required under the Foreign Direct Investment policy, should be obtained.

Entities prohibited to buy, sell or deal in securities by SEBI are not allowed to subscribe to FCEB.

END USE REQUIREMENTS OF FCEB PROCEEDS

1. The Issuing Company is allowed to invest the proceeds of FCEBs in the promoter group company.

2. The Promoter Group Companies receiving such investments out of proceeds of FCEBs are allowed to invest in those activities allowed under the ECB policy and which *iter-alia* Includes the following:

- (i) Overseas investment in Joint Ventures/Wholly Owned Subsidiaries subject to the existing guidelines.
- (ii) Modernization or Expansion of existing production in real sector, industrial sector and infrastructure
- (iii) New Projects
- (iv) NBFC Sector
- (v) Development of SEZ for infrastructure facilities
- (v) Integrated Township
- (Vi) Interest During Construction (IDC) for Indian companies which are in the infrastructure sector
- (VII) Payment for Spectrum Allocation (Telecommunications Sector)
- (VIII) Acquisition of shares under disinvestment process
- (ix) Repayment of Rupee loans availed from domestic banking system
- (X) Bridge Finance

3. Promoter Group Companies receiving such investments will not be permitted to utilize the proceeds for investment in the capital market or in real estate.

ALL-IN- COST CEILING

All-in-cost includes rate of interest, other fees and expenses in foreign currency except commitment fee, pre-payment fee, and fees payable in Indian Rupees. The payment of withholding tax in Indian Rupees is excluded for calculating the all-in-cost.

The all-in-cost ceilings for ECB are reviewed from time to time. The following ceilings are applicable upto March 31, 2012 and subject to review thereafter:

Average Maturity Period	**All-in-cost Ceilings over 6 month LIBOR***
Three years and up to five years	350 basis points
More than five years	500 basis points

* for the respective currency of borrowing or applicable benchmark In the case of fixed rate loans, the swap cost plus the margin should be the equivalent of the floating rate plus the applicable margin.

The rate of interest payable on Foreign Currency Exchangeable Bond and the issue expenses incurred in foreign currency shall be within the all in cost ceiling as specified by Reserve Bank of India and External Commercial Borrowing Policy.

PRICING OF FCEB

Pricing has been very important component in the transactions involving foreign investors and the same is covered under the concerned Regulation and since the offered shares in lieu of FCEB are listed shares mechanism for arriving at the share price has inevitably taken the same into consideration. At the time of issue of FCEBs, the exchange price of the offered shares shall not be less than the higher of the following two:

(i) The average of the weekly high and low of the closing prices of the shares of the offered company quoted on the stock exchange during the six months preceding the relevant date; and

(ii) The average of the weekly high and low of the closing prices of the shares of the offered company quoted on a stock exchange during the two week preceding the relevant date.

Explanation to clause (i) and (ii): "Relevant date" means the date on which the Board of directors of the issuing company passes the resolution authorizing the issue of FCEB.

MERURITY

Minimum maturity of FCEB shall be five years for the purpose of redemption. The exchange option can be exercised at any time before redemption. While exercising the exchange option, the holder of the FCEB shall take delivery of the offered shares. Cash settlement of FCEB shall not be permissible.

OVERSEAS PARKING OF FCEBS PROCEEDS

The proceeds of FCEB may be retained and / or deployed overseas by the issuing / promoter group companies in accordance with the policy for the ECB or repatriated to India for credit to the borrowers' Rupee accounts with AD Category I banks in India pending utilization for permissible end-uses. It shall be the responsibility of the issuing company to ensure that the proceeds of FCEB are used by the promoter group company only for the permitted end-uses prescribed under the ECB policy. The issuing company should also submit audit trail of the end-use of the proceeds by the issuing company / promoter group companies to the Reserve Bank duly certified by the designated AD bank.

Under the existing policy, the proceeds parked off-shore is allowed to be invested in the following liquid assets:

- deposits or certificate of deposit offered by banks rated not less than AA (-) by Standard and Poor / Fitch IBCA or Aa3 by Moody's;
- deposits with overseas branches/subsidiaries of Indian Bank; and
- treasury bills and other monetary instruments of one year maturity having minimum rating of not less than AA (-) by Standard and Poor / Fitch IBCA or Aa3 by Moody's;

TAXATION

Although the Regulations do not provide for any provision on the taxation of FCEB, it would be pertinent to note that the Scheme includes provisions on the taxability of FCEB. The Scheme provides as follows:

- Until the exchange option is exercised, interest payments on the bonds shall be subject to deduction of tax at source in accordance with the provisions of Income Tax Act, 1961.
- Tax on dividend on the exchanged portion of the bond shall be in accordance with the provisions of Income Tax Act, 1961.
- Exchange of FCEB's into shares shall not give rise to any capital gains liable to income-tax in India.
- Transfers of FCEB's made outside India by an investor who is a person resident outside India to another investor who is a person resident outside India shall not give rise to any capital gains liable to tax in India.

DIFFERENCES BETWEEN FCCBs AND FCEBs

Foreign Currency Convertible Bonds (FCCBs) mean a bond issued by an Indian company expressed in foreign currency, and the principal and interest in respect of which is payable in foreign currency. Further, the bonds are required to be issued in accordance with the scheme viz., "Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993", and subscribed by a non-resident in foreign currency and convertible into ordinary shares of the issuing company in any manner, either in whole, or in part, on the basis of any equity related warrants attached to debt instruments.

Foreign Currency Exchangeable Bond (FCEB) means a bond expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency, issued by an Issuing Company and subscribed to by a person who is a resident outside India, in foreign currency and exchangeable into equity share of another company, to be called the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments. The FCEB must comply with the "Issue of Foreign Currency Exchangeable Bonds (FCEB) Scheme, 2008", notified by the Government of India, Ministry of Finance, Department of Economic Affairs vide Notification G.S.R.89(E) dated February 15, 2008.

There are following differences between FCCBs and FCEBs:

1. The essentials differences between an FCCB and FCEB lies in their convertibility. Unlike an FCCB which is convertible into new shares of the issuing company, an FCEB is convertible into existing shares of the offered company held by the issuing company.
2. The shares issued on conversion of FCCB would be issued a fresh by issuing company on conversion, whereas when the investor in FCEB want shares in exchange, he has to approach to issuing company which has already hold shares of offered listed company.
3. The Company that issue FCCB and the Company that issue shares on conversion are same and one whereas in case of FCEB the Company that issue FCEB and the Company whose shares are offered on exchange will be different but should belong to the same promoter group.
4. FCCBs are issued by an Indian Company to a person resident outside India giving them an option to convert them into shares of the company at a pre determined price. On the other hand, FCEBs are issued by Indian Investment Company or Holding Company of a group to non-resident which are exchangeable for the shares of a specified group company at a pre determined price.
5. In case of FCCBs issue, there is a change in the shareholding of issuing company on the other hand, in case of FCEBs issue there is no changes in the shareholding of issuing company.

PROCEDURAL REQUIREMENTS

Before the issue of FCEBs to a person resident outside India, the issuing company must note the following points:

1. Whether, the issuing company is eligible to raise funds in foreign exchange in accordance with Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000.

2. Whether, the issuing company is eligible to raise fund in compliance with the provisions of Issue of Foreign Currency Exchangeable Bonds Scheme 2008.

3. An issuing company, which is not eligible to raise funds from the Indian Capital market or restricted by SEBI to sell, purchase or otherwise deal in securities is not eligible to raise funds through issue of FCEBs.

4. To ensure that, issuing company belong to the part of the promoter group of the Offered Company and shall hold the equity shares being offered at the time of issue of FCEBs and the Offered Company is the listed company.

5. To ensure that, the Offered Company is the listed company, which is engaged in a sector eligible to receive Foreign Direct Investment (FDI) and eligible to issue or avail of Foreign Currency Convertible Bond (FCCBs) or External Commercial Borrowings (ECBs).

6. Ensure that, subscriber complying with the Foreign Direct Investment policy and adhering to the sectoral caps at the time of subscribe to FCEB. Prior approval of the Foreign Investment Promotion Board, wherever required under the Foreign Direct Investment policy, should be obtained.

7. You are required to specify the proposed end-uses of the issue proceeds at the time of making your application and to submit statement of utilization of funds for the approved end use, duly certified by your auditor.

8. Decide the following matter with the Lead manager to your FCEBs issue:

(a) Public/Private placement
(b) Number of FCEB to be issued
(c) Conversion price, coupon, and the pricing of the conversion options of FCEBs.
(d) Maturity
(e) Rate of Interest

9. Decide the exchange price of the FCEB issue in consultation of Lead manager/Chartered Accounts, the exchange price of the offered shares shall not be less than the higher of the following two:

(i) The average of the weekly high and low of the closing prices of the shares of the offered company quoted on the stock exchange during the six months preceding the relevant date; and

(ii) The average of the weekly high and low of the closing prices of the shares of the offered company quoted on a stock exchange during the two week preceding the relevant date.

Explanation to clause (i) and (ii): "Relevant date" means the date on which the Board of directors of the issuing company passes the resolution authorizing the issue of FCEB.

10. Finalize the issue structure in consultation with Lead Manager/Chartered Accountants to the FCEBs issue.

11. Apply to the Chief General Manager, Exchange Control Department (Foreign Investment Division) Reserve Bank of India, Central Office Mumbai, seeking permission for the issue and for finalizing the issue structure as specified in the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000.

12. Obtain the final approval of Reserve Bank of India or Government of India, as the case may be.

13. Note that the Authorised Dealer (Banks)/Public Financial Institutions are authorised to accept foreign currency subject to certain conditions.

14. Hold a Board Meeting after giving notice to all the Directors of the Company as per section 286, to approve the following:

(a) the FCEBs issue

(b) the exchangeable price

(c) appointment of Lead Manager, Authorised Dealer/PFI

(d) the draft of special resolution under section 81 of the Companies Act, 1956

(e) the notice of the general meeting at which the special resolution will be considered

15. Issue notice of general meeting to the members of the company.

16. Ensure that it would be appropriate that special resolutions mentions the ceiling or upper limit of the issue and not necessarily the exact amount.

17. Hold the General Meeting and pas the special resolution by three forth majority sanctioning the FCEBs issue.

18. File the special resolution so passed with the ROC in Form No.23 within 30 days of its passing.

19. Ensure that the Issuing Company intending to offer shares of the offered company under Foreign Currency Exchangeable Bond shall comply with all the applicable provisions of the Securities and Exchange Board of India Act, Rules, Regulations or Guidelines with respect to disclosures of their shareholding in the Offered Company.

20. Ensure that the Issuing Company shall not transfer, mortgage or offer as collateral or trade in the offered shares under Foreign Currency Exchangeable Bond from the date of issuance of the Foreign Currency Exchangeable Bond till the date of exchange or redemption. Further, the Issuing Company shall keep the offered shares under Foreign Currency Exchangeable Bond free from all encumbrances from the date of issuance of the Foreign Currency Exchangeable Bond till the date of exchange or redemption.

ANNEXURE- I

DRAFT BOARD RESOLUTION

"**RESOLVED THAT** pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, as amended or restated (the ''Companies Act") and the provisions of the Foreign Exchange Management Act, 1999, as amended or restated, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended or restated, the Foreign Exchange Management (Borrowing or Lending in Rupees) Regulations, 2000, as amended or restated, the Issue of Foreign Currency Exchangable Scheme 2008, as amended or restated, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended or restated (the "ICDR Regulations'), as applicable and such other statutes, notifications, circulars, rules and regulations as may be applicable and relevant, each as amended or restated, and the Memorandum and Articles of Association of the Company, as amended, and subject to such approvals, consents, permissions and sanctions, if any, of the Government of India, the Reserve Bank of India (the "RBI"), the Foreign Investment Promotion Board (the "FIPB) the Securities and Exchange Board of India (the "SEBI"), the relevant Registrar of Companies, the relevant stock exchanges and any other regulatory authority as may be required under applicable law or regulation, and subject to such conditions as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (the 'Board", which term shall be deemed to include any committee constituted or to be constituted by the Board, or any person(s) authorised by the Board or its committee for such purposes), consent of the Board of the Directors be and is hereby accorded subject to the approval of shareholders, to create, offer, issue and allot in the course of either one or more international offering(s), in one or more foreign markets and/or in the course of one or more domestic offering(s) in India, including by way of a qualified institutions placement under the ICDR Regulations ("QIP"), such number of equity shares and/or any securities linked to, convertible into or exchangeable for equity shares including without limitation through Global Depository Receipts ("GDRs") and/or American Depository Receipts ("ADRs") and/or convertible preference shares and/or convertible debentures (compulsorily and/or optionally, fully and/or partly) and/or non-convertible debentures (or other securities) with warrants and/or warrants with a right exercisable by the warrant holder to exchange or convert such warrants with equity shares of the Company at a later date and/or Foreign Currency Convertible Bonds ("FCCBs") and/or Foreign Currency Exchangeable Bonds ("FCEBs") and/or any other permitted fully and/or partly paid securities/ instruments/warrants, convertible into or exchangeable for equity shares at the option of the Company and/or the holders of the security(ies), and/or securities linked to equity shares, (hereinafter collectively referred to as the "Securities"), in one or more tranches, whether rupee-denominated or denominated in foreign currency, to such investors who are eligible to acquire such Securities in accordance with all applicable laws, rules, regulations, guidelines and approvals, through public issue(s), rights issue(s), preferential issue(s), private placement(s) or any combination thereof, through any prospectus, offer document, offer letter, offer circular, placement document or otherwise, at such time or times and at such price or prices subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, at a discount or premium to market price or prices in such manner and on such terms and conditions including as regards security, rate of interest, etc., as may be deemed appropriate by the Board in its absolute discretion, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, for an aggregate amount in one or more offering(s) and/or in one or more tranches, not exceeding Rs……………...00 Crores (Rupees ……… Crores Only) and the Board shall have the discretion to determine the categories of eligible investors to whom the offer, exchange and allotment shall be made to the exclusion of all other categories of investors at the time of such offer, issue and allotment considering the prevailing market conditions and all other relevant factors and wherever necessary in consultation with advisor(s) and lead manager(s), appointed by the Company.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the exchange of securities may, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, have all or any terms, or combination of terms, in accordance with domestic and/or international practice, including, but not limited to, conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever and all other such terms as are provided in offerings of such nature including terms for issue of additional equity shares or variation of the conversion price of the Securities during the duration of the Securities.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body for the issue, upon exchange of the Securities, of equity shares of the Company in registered or bearer form with such features and attributes as are prevalent in International capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations, and under the norms and practices prevalent in international capital markets.

RESOLVED FURTHER THAT the Securities may be redeemed and/or converted into and/or exchanged for the equity shares of the Company, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, in a manner as may be provided in the terms of their issue.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares of the Company, as may be required to be issued and allotted upon conversion, exchange, redemption or cancellation of any of the Securities or as may be necessary in accordance with the terms of the offering.

RESOLVED FURTHER THAT the equity shares issued on exchange of ECEBs shall rank pari passu with the existing equity shares of the Company in all respects including payment of dividend.

RESOLVED FURTHER THAT the 'Relevant date' as per the Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Second Amendment) Regulations, 2009 for the determination of applicable price for the exchange of the aforementioned FCEBs is…….., 2012.

RESOLVED FURTHER THAT the Board and other designated officers of the Company, be and are hereby severally authorised to make all filings including as regards the requisite application/prospectus/offer document/registration statement or any draft(s) thereof, or any amendments or supplements thereof, and of any other relevant documents with the RBI, the FIPB, the SEBI, the Registrar of Companies and such other authorities or institutions in India and/or abroad for this purpose and to do all such acts, deeds and things as may be necessary or incidental to give effect to the resolutions above and the Common Seal of the Company be affixed wherever necessary, in the presence of any one of the Directors or the Company Secretary of the Company."

ANNEXURE-II

DRAFT GENERAL MEETING RESOLUTION

To consider and if thought fit, to pass with or without modification(s), the following resolution, as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, as amended or restated (the ''Companies Act") and the provisions of the Foreign Exchange Management Act, 1999, as amended or restated, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended or restated, the Foreign Exchange Management (Borrowing or Lending in Rupees) Regulations, 2000, as amended or restated, the Issue of Foreign Currency Exchangable Scheme 2008, as amended or restated, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended or restated (the "ICDR Regulations'), as applicable and such other statutes, notifications, circulars, rules and regulations as may be applicable and relevant, each as amended or restated, and the Memorandum and Articles of Association of the Company, as amended, and subject to such approvals, consents, permissions and sanctions, if any, of the Government of India, the Reserve Bank of India (the "RBI"), the Foreign Investment Promotion Board (the "FIPB) the Securities and Exchange Board of India (the "SEBI"), the relevant Registrar of Companies, the relevant stock exchanges and any other regulatory authority as may be required under applicable law or regulation, and subject to such conditions as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (the 'Board", which term shall be deemed to include any committee constituted or to be constituted by the Board, or any person(s) authorised by the Board or its committee for such purposes), consent of the Board of the Directors be and is hereby accorded to create, offer, issue and allot in the course of either one or more international offering(s), in one or more foreign markets and/or in the course of one or more domestic offering(s) in India, including by way of a qualified institutions placement under the ICDR Regulations ("QIP"), such number of equity shares and/or any securities linked to, convertible into or exchangeable for equity shares including without limitation through Global Depository Receipts ("GDRs") and/or American Depository Receipts ("ADRs") and/or convertible preference shares and/or convertible debentures (compulsorily and/or optionally, fully and/or partly) and/or non-convertible debentures (or other securities) with warrants and/or warrants with a right exercisable by the warrant holder to exchange or convert such warrants with equity shares of the Company at a later date and/or Foreign Currency Convertible Bonds ("FCCBs") and/or Foreign Currency Exchangeable Bonds ("FCEBs") and/or any other permitted fully and/or partly paid securities/ instruments/warrants, convertible into or exchangeable for equity shares at the option of the Company and/or the holders of the security(ies), and/or securities linked to equity shares, (hereinafter collectively referred to as the “Securities”), in one or more tranches, whether rupee-denominated or denominated in foreign currency, to such investors who are eligible to acquire such Securities in accordance with all applicable laws, rules, regulations, guidelines and approvals, through public issue(s), rights issue(s), preferential issue(s), private placement(s) or any combination thereof, through any prospectus, offer document, offer letter, offer circular, placement document or otherwise, at such time or times and at such price or prices subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, at a discount or premium to market price or prices in such manner and on such terms and conditions including as regards security, rate of interest, etc., as may be deemed appropriate by the Board in its absolute discretion, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, for an aggregate amount in one or more offering(s) and/or in one or more tranches, not exceeding Rs………………00 Crores (Rupees ……… Crores Only) and the Board shall have the discretion to determine the categories of eligible investors to whom the offer, exchange and allotment shall be made to the exclusion of all other categories of investors at the time of such offer, issue and allotment considering the prevailing market conditions and all other relevant factors and wherever necessary in consultation with advisor(s) and lead manager(s), appointed by the Company.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the exchange of securities may, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, have all or any terms, or combination of terms, in accordance with domestic and/or international practice, including, but not limited to, conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever and all other such terms as are provided in offerings of such nature including terms for issue of additional equity shares or variation of the conversion price of the Securities during the duration of the Securities.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body for the issue, upon exchange of the Securities, of equity shares of the Company in registered or bearer form with such features and attributes as are prevalent in International capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations, and under the norms and practices prevalent in international capital markets.

RESOLVED FURTHER THAT the Securities may be redeemed and/or converted into and/or exchanged for the equity shares of the Company, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, in a manner as may be provided in the terms of their issue.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares of the Company, as may be required to be issued and allotted upon conversion, exchange, redemption or cancellation of any of the Securities or as may be necessary in accordance with the terms of the offering.

RESOLVED FURTHER THAT the equity shares issued on exchange of ECEBs shall rank pari passu with the existing equity shares of the Company in all respects including payment of dividend.

RESOLVED FURTHER THAT the 'Relevant date' as per the Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Second Amendment) Regulations, 2009 for the determination of applicable price for the exchange of the aforementioned FCEBs is…….., 2012.

RESOLVED FURTHER THAT the Board and other designated officers of the Company, be and are hereby severally authorised to make all filings including as regards the requisite application/prospectus/offer document/registration statement or any draft(s) thereof, or any amendments or supplements thereof, and of any other relevant documents with the RBI, the FIPB, the SEBI, the Registrar of Companies and such other authorities or institutions in India and/or abroad for this purpose and to do all such acts, deeds and things as may be necessary or incidental to give effect to the resolutions above and the Common Seal of the Company be affixed wherever necessary, in the presence of any one of the Directors or the Company Secretary of the Company.

Reference:

1. *FCEB Scheme, 2008 vide Notification No. G.S.R. 89(E) dated February 15, 2008*
2. *FCEB Scheme, 2008 vide Notification No. G.S.R. 89(E) dated February 15, 2008*
3. *Vide A.P. (DIR Series) Circular No.17, dated September 23, 2010*
4. *Notification No. FEMA 188 / 2009-RB, dated February 3, 2009*
5. *Schedule IV- Foreign Currency Exchangeable Bonds (terms and conditions)*
6. *RBI through www.rbi.org.in*
7. *ECB Guidelines issued by RBI,*

(NOTE: This information is given for the limited purpose of bringing awareness about the subject matter for readers.)

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THANK YOU

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