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# ANNUAL REPORT

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**Gujarat State Petronet Ltd.**

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## Board of Directors

Shri D Rajagopalan, IAS,  
Smt V L Joshi, IAS  
Shri H. K. Dash, IAS  
Shri P K Pujari, IAS  
Shri Hasmukh Adhia, IAS  
Shri Tapan Ray, IAS  
Shri N J Jhaveri  
Shri U Sundararajan  
Shri Suresh Mathur  
Shri Luis Miranda  
Shri N Venkiteswaran  
Shri D J Pandian, IAS,

Chairman

Managing Director

Shri Balwant Singh, IAS (upto 19<sup>th</sup> March, 2007)

## Company Secretary

Shri Sandeep Dave

## Bankers

Allahabad Bank  
Bank of Baroda  
Bank of India  
Corporation Bank  
Dena Bank  
HDFC Bank Ltd.  
IDBI Ltd.  
The Karur Vysya Bank  
Oriental Bank of Commerce  
The South Indian Bank Ltd.  
State Bank of India  
State Bank of Bikaner & Jaipur  
State Bank of Travancore  
UTI Bank Ltd.  
UCO Bank  
Union Bank of India  
Vijaya Bank

## Statutory Auditors

T. N. Shah & Co., Chartered Accountants  
Gandhinagar.

## Internal Auditors

KPMG  
Mumbai

## Corporate & Registered Office

GSPC Bhavan, Sector-11,  
Gandhinagar - 382 011

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## NOTICE

Notice is hereby given that 9<sup>th</sup> Annual General Meeting of the members of Gujarat State Petronet Limited will be held on Friday, the 21<sup>st</sup> September, 2007 at 12.00 Noon at Town Hall, Sector-17, Nr. Gh-4 Circle, Opp. Udyog Bhavan, Gandhinagar-382 017 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Annual Accounts for the year ended on 31<sup>st</sup> March, 2007, Auditors' Report, Report of the Comptroller and Auditor General of India and Directors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri H K Dash, IAS, Director who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri N J Jhaveri, Director who retires by rotation and being eligible offers himself for re-appointment.
5. To fix remuneration of Statutory Auditors of the Company in terms of provisions of section 224 (8)(aa) of the Companies Act, 1956.

### SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following resolutions :

6. "RESOLVED THAT Shri D Rajagopalan, IAS, who was appointed as an Additional Director and Chairman of the company pursuant to section 260 of the Companies Act, 1956 read with Article 141(b) and 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director and Chairman of the Company, liable to retire by rotation."
7. "RESOLVED THAT Smt. V L Joshi, IAS, who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 141(a) and 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. "RESOLVED THAT Shri Tapan Ray, IAS, who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 141(a) and 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
9. "RESOLVED THAT Shri N Venkiteswaran, who was appointed as an Additional Director of the company pursuant to section 260 of the Companies Act, 1956 read with Article 148 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

#### 10. To approve Preferential Issue of shares as Special Resolution

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification thereto or reenactment thereof for the time being in force) and in accordance with the provisions of SEBI (Disclosure and Investor Protection) Guidelines 2000, Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges where the securities of the Company are listed, and subject to the approval, consent, permission and/or sanction, as may be required from the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Financial Institutions, and any other appropriate authority, Institution or Body and subject to such terms, conditions, alterations, corrections, changes, variations and/or modifications, if any, as may be prescribed by any one or more or all of them in granting such approval, consent, permission and/or sanction, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee duly constituted by the Board of Directors or any Committee which the Board of Directors may hereafter constitute, to exercise one or more of its powers including the powers conferred by this resolution) to offer, issue and allot maximum 22,000,000 Equity Shares on preferential basis to International Finance Corporation (IFC), of Rs.10/- each for cash at a price of Rs. 57.29/- per equity share which is higher than SEBI Floor Price.

RESOLVED FURTHER THAT the equity shares to be issued and allotted shall rank pari passu with the existing equity shares of the Company in all respects including payment of dividend.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the equity shares issued and allotted to the IFC on the stock exchanges where the company's shares are listed, as per the terms and conditions of the listing and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the 'Relevant date' as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable from time to time for the determination of applicable floor price for issue of Equity Shares is 22<sup>nd</sup> August, 2007.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorized to do all such acts and to give all such directions as may be necessary or desired and to accept any modifications in the above proposal as may be required by the authorities involved and also settle any questions or difficulties that may arise in respect of offer, issue and allotment of equity shares and further to do all such acts and execute all such writings and instruments in connection with the issue of equity shares as the Board may, in its absolute discretion deem necessary or desirable but subject to such conditions as the Reserve Bank of India (RBI)/ Securities and Exchange Board of India (SEBI)/Financial Institutions and/or such other appropriate authority may impose at the time of their approval and as agreed by the Board."

**11. To approve amendment in the Article of Association of the Company as Special Resolution**

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, Shareholders Agreement executed with India Development Fund (IDF) on 4<sup>th</sup> November, 2004 and Share Subscription and Shareholders Agreement entered into/to be entered into with International Finance Corporation(IFC) and subject to such approval(s) as may be required, the present set of Articles of Association of the Company be substituted by a new set of Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company or its Committee be and is hereby authorized to do all such acts, things and deeds as may be required in the matter."

**12. To ratify and approve Pre-IPO ESOP Scheme 2005 of the Company as Special Resolution**

"RESOLVED THAT pursuant to regulation 22.2A (1) (ii) of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, the Employees Stock Option Plan 2005 as approved by the Members on 18<sup>th</sup> October, 2005 for issue of 8084865 options of Rs.10/- each on such terms and conditions as given in Employee Stock Option Plan, 2005 be and is hereby ratified and approved".

**13. To approve increase in the Borrowing Limit as Ordinary Resolution**

"RESOLVED THAT in supersession of the resolution passed by the members at the Extra Ordinary General Meeting held on 23<sup>rd</sup> August, 2005, consent of the members be and is hereby granted, in accordance with Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and the Memorandum and Articles of Association of the Company, to the Board of Directors of the Company, to borrow any sum or sums of money from time to time at their discretion, for the purpose of the business of the Company, which together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed at any time, the aggregate of the paid-up share capital of the Company and its free reserves (that is to say, reserves, not set apart for any specific purpose) provided that the total outstanding amount of borrowing by the Company shall not exceed the sum of Rs.2800,00,00,000/- (Rupees Two Thousand Eight Hundred Crores only) at any time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the aforesaid resolution."

By order of the Board of Directors,

Date: 23<sup>rd</sup> August, 2007

Place: Gandhinagar

Sandeep Dave  
Company Secretary

Registered Office:

GSPC Bhavan,

Sector -11, Gandhinagar - 382 011.

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENTS APPOINTING PROXY TO BE VALID AND EFFECTIVE MUST REACH TO THE REGISTERED OFFICE OF THE COMPANY MINIMUM 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. Members / proxies are requested to bring their attendance slip along with their copy of Annual Report to the meeting.
4. An Explanatory Statements pursuant to Section 173(2) of Companies Act, 1956 is annexed hereto.
5. Members desirous of getting any information related to accounts or operations of the Company are requested to send in their queries so as to reach the company's registered office atleast 7 days in advance before the date of meeting to enable the management to keep the information ready.
6. The register of members and share transfer books of the Company shall remain closed from Wednesday, September 12, 2007 to Friday, September 21, 2007 (both days inclusive). The dividend, if declared, at the ensuing Annual General Meeting shall be paid, on or after September 21, 2007 to those members of the Company whose names appear (a) as beneficial owners as on Tuesday, September 11, 2007 as per the list to be furnished by the depositories in respect of the shares held in electronic form; and (b) as members in the register of members of the Company as on Tuesday, September 11, 2007, after giving effect to all valid share transfers in physical form received on or before Tuesday, September 11, 2007.
7. All transfer deeds, requests for change of address, bank particulars/mandates/ECS mandates, PAN should be lodged with Company's Registrar and Share Transfer Agents, Karvy Computershare Private Limited, Plot No. 17-24 Vittalrao Nagar Madhapur Hyderabad 500 081, in case of shares held in physical form on or before Tuesday, September 11, 2007. The above details in respect of the shares held in electronic form should be sent to the respective depository participants by the shareholders well in time.
8. Members are requested to furnish the registrar / depository participants, the name and branch of the bank and account number to enable the Company to distribute dividend through Electronic Clearing Services (ECS). In the absence of ECS facility with the shareholder's bank, the bank account details will be printed on the dividend warrants, if available.
9. As stipulated under Clause 49 of the listing agreement with stock exchanges, profile of directors seeking re-appointment / appointment is provided under Section "Board of Directors" of the corporate governance report, which forms an integral part of this Annual Report.
10. The Company is in the process of dispatching Postal Ballot under section 192A of the Companies Act, 1956 for obtaining approval of the members by way of an Ordinary Resolution under section 293(1)(a) of the Companies Act, 1956 for creation of mortgages, charges, liens, hypothecations and other securities on the Company's assets & properties in favour of Banks, Financial Institutions, Debenture trustees and other secured lenders.

The members are requested to exercise their voting rights in respect of that business by submitting Postal Ballot in the prescribed manner.

## Annexure to Notice

### Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

#### **Item No.6**

Mr. D Rajagopalan, IAS was appointed as an Additional Director and Chairman of the company by the Board of Directors with effect from March 19, 2007 in accordance with the provisions of Article 141(b) and 148 of Articles of Association. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. D Rajagopalan, IAS for appointment as a Director and Chairman of the Company.

The Board recommends the appointment of Mr. D Rajagopalan, IAS as a Director and Chairman of the Company in accordance with the provisions of Article 141(b) of Articles of Association.

No director, except Mr. D Rajagopalan, IAS, is in any way concerned or interested in the said resolution.

The Members are requested to approve the resolution.

### **Item No.7**

Smt. V L Joshi, IAS was appointed as an Additional Director of the company by the Board of Directors with effect from April 26, 2007 in accordance with the provisions of Article 141(a) and 148 of Articles of Association. As per the provisions of Section 260 of the Companies Act, 1956, she holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Smt. V L Joshi, IAS for appointment as a Director of the Company.

The Board recommends the appointment of Smt. V L Joshi, IAS as a Director of the Company in accordance with the provisions of Article 141(a) of Articles of Association.

No director, except Smt. V L Joshi, IAS, is in any way concerned or interested in the said resolution.

The Members are requested to approve the resolution.

### **Item No. 8**

Mr. Tapan Ray, IAS was appointed as an Additional Director of the company by the Board of Directors with effect from January 31, 2007 in accordance with the provisions of Article 141(a) and 148 of Articles of Association. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. Tapan Ray, IAS for appointment as a Director of the Company.

The Board recommends the appointment of Mr. Tapan Ray, IAS as a Director of the Company in accordance with the provisions of Article 141(a) of Articles of Association.

No director, except Mr. Tapan Ray, IAS, is in any way concerned or interested in the said resolution.

The Members are requested to approve the resolution.

### **Item No.9**

Mr. N Venkiteswaran was appointed as an Additional Director of the company by the Board of Directors with effect from January 31, 2007. As per the provisions of Section 260 of the Companies Act, 1956, he holds office till the conclusion of this Annual General Meeting. The Company has received a notice from a member in writing proposing the candidature of Mr. N Venkiteswaran for appointment as a Director of the Company.

The Board recommends the appointment of Mr. N Venkiteswaran as a Director of the Company.

No director, except Mr. N Venkiteswaran, is in any way concerned or interested in the said resolution.

The Members are requested to approve the resolution.

### **Item No. 10**

The Company is developing Gas Grid Project in phases. Phase-I involved laying of pipelines starting from Hazira up to Kalol. Phase-II involved Anand-Rajkot, Mora-Vapi, Kalol-Himatnagar and Kalol-Mehsana Pipeline Projects along with various spurlines. Now, the Company is focusing on development of various pipeline projects under Phase-III. The total project cost estimated for development of various pipeline projects in Phase-III is approx. Rs.2100 crores which will be funded by mix of debt, equity and internal accruals.

To part fund the Phase-III projects, it is proposed to raise approx. USD 30 million by way of issue of equity shares. The Board of Directors of the Company has recommended preferential issue of equity shares to a reputed international financial investor i.e. International Finance Corporation (IFC).

IFC is an arm of the World Bank which participates in projects in developing countries with the focus on economic development by encouraging the growth of productive enterprise and efficient capital markets in member countries. IFC also lays strong emphasis on environmental and social aspects of the projects.

IFC has agreed to invest approx. USD 30 million by way of equity.

As per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 the required details are furnished as under:

**1. OBJECT OF THE ISSUE:**

The object of the preferential issue of Equity shares is to tap resources in the interest of the Company for funding expansion pipeline projects of the Company.

**2. PRICING:**

The issue of Equity Shares on preferential basis shall be at a price of Rs. 57.29/- per share which is higher than SEBI Floor Price.

SEBI Floor Price is defined as the higher of:

- i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the Relevant Date;

OR

- ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the Relevant Date.

**3. RELEVANT DATE:**

The 'Relevant Date' for determining the price of the preferential issue is 22<sup>nd</sup> August, 2007, being the date which is 30 days prior to the date of Annual General Meeting of the Company.

**4. PAYMENT AND OTHER TERMS:**

The full amount including premium shall be payable before allotment. The equity shares allotted on preferential basis shall rank pari passu with existing Equity shares of the Company in all respects.

**5. INTENTION OF PROMOTERS, KEY MANAGERIAL PERSONNEL AND DIRECTORS OF THE COMPANY TO SUBSCRIBE TO THE OFFER:**

The Promoters, Key Managerial Personnel and Directors do not intend to subscribe to the proposed preferential issue.

**6. SHAREHOLDING PATTERN OF THE COMPANY BEFORE AND AFTER THE ISSUE:**

The Shareholding pattern of the Company before and after the issue is given below:

Sr. No.	Category	Pre-Issue		Post-Issue	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
<b>A</b>	<b>Promoters Holding</b>				
1.	Promoters				
	- Indian Promoters	212305270	39.11	212305270	37.58
	- Foreign Promoters	NIL	N.A.	NIL	N.A.
2.	Persons acting in concert	NIL	N.A.	NIL	N.A.
	<b>Sub Total</b>	<b>212305270</b>	<b>39.11</b>	<b>212305270</b>	<b>37.58</b>
<b>B</b>	<b>Non-Promoter Holding</b>				
1.	Institutional Investors				
a.	Mutual Funds and UTI	21134428	3.89	21134428	3.74
b.	Banks, Financial Institutions, Insurance / Govt. Companies	95893721	17.67	95893721	16.98
c.	FII's	73679424	13.57	73679424	13.04
	<b>Sub Total</b>	<b>190707573</b>	<b>35.13</b>	<b>190707573</b>	<b>33.76</b>
2.	Others				
a.	Private Corporate Bodies	31785351	5.85	31785351	5.63
b.	Indian Public	59005140	10.87	59005140	10.45
c.	NRIs / OCBs	1087732	0.20	1087732	0.19
d.	Any other				
	Trust	13452	0.00	13452	0.00
	Venture Capital	48000000	8.84	48000000	8.50
	Foreign Corporate Body	NIL	N.A.	22000000	3.89
	<b>Sub Total</b>	<b>139891675</b>	<b>25.76</b>	<b>161891675</b>	<b>28.66</b>
	<b>Grand Total</b>	<b>542904518</b>	<b>100.00</b>	<b>564904518</b>	<b>100.00</b>



**7. PROPOSED TIME WITHIN WHICH THE ALLOTMENT SHALL BE COMPLETED:**

The Board proposes to allot the Equity Shares within a period of 15 days from the date of passing of this resolution by the Members or within 15 days from the date of approval of any regulatory authority, which ever is later.

**8. THE IDENTITY OF THE PROPOSED ALLOTTEES AND THE PERCENTAGE OF THE PREFERENTIAL ISSUE THAT MAY BE HELD BY THEM:**

The International Finance Corporation (IFC), with its headquarter in Washington DC, is the private sector arm of the World Bank Group. Its particular focus is to promote economic development by encouraging the growth of productive enterprise and efficient capital markets in its member countries.

IFC also recognizes that economic growth is sustainable only if it is environmentally and socially sound and helps to improve the quality of life for those living in the developing world.

The percentage of the Pre and Post preferential issue capital held by the proposed investor:-

Name of the Investor	Pre-Issue		Post-Issue	
	No. of Shares	%	No. of Shares	%
International Finance Corporation	NIL	N.A.	22,000,000*	3.89

\* Maximum numbers of shares which can be issued and allotted.

**9. AUDITORS' CERTIFICATE:**

Certificate of M/s. T N Shah & Co., Chartered Accountants, Gandhinagar, the Statutory Auditors of the Company certifying that the preferential issue is being made in accordance with the requirements contained in SEBI (Disclosure and Investor Protection) Guidelines, 2000 will be made available for inspection at the registered office of the Company during the working hours of the company on any working day up to the date of Annual General Meeting.

**10. LOCK IN:**

The Equity Shares to be allotted on preferential basis to IFC shall be locked in for a period of one year from the date of credit of shares in IFC account.

**11. CHANGE IN MANAGEMENT**

The issue of equity Shares will not result in any change in the management or control of the Company.

Pursuant to the provisions of Section 81(1A) of Companies Act, 1956, any offer or issue of shares in a company to persons other than the holders of the equity shares of a company or to such holders otherwise than in proportion to the capital paid up, requires prior approval of the members in general meeting by Special Resolution.

None of the Directors is in any way concerned or interested in the proposed resolution.

Your Directors recommend the resolution for approval of the members.

**Item No.11**

The Company has entered into Shareholders Agreement with India Development Fund(IDF) on 4<sup>th</sup> November, 2004, the Articles of Association of the Company were amended after obtaining approval of the Members to reflect various provisions of Shareholders Agreement with IDF.

The said Shareholders Agreement has granted some right to IDF for limited period of time. Hence, some of the provisions of Articles of Association are required to be deleted to reflect the fact of cessation of some of the rights of IDF.

Further, the Company has finalized Share Subscription and Shareholders Agreement with International Finance Corporation. Some of the provisions of Shareholder Agreement requires alteration of Articles of Association of the Company.

A summary of key provisions of the existing Articles which are proposed to be modified, added or deleted is provided below:



Article no	Brief description of the provisions of the articles proposed to be modified, added or deleted	Effect
140(a)	Provision prescribing maximum no of Directors is modified to increase maximum number of directors from 12 to 15 directors	Modified
262	Right of First Refusal in the event of a sale by the Investor	Deleted
268	Independent Directors	Deleted
269 (c )	Appointment of Investor director in Audit/Investment/Capex and tariff committee	Modified
270	Affirmative vote items	Modified
272 to 274	Provisions relating to Tariff Committee, Audit Committee and Investment/Capex Committee	Deleted
276 to 279	Information Covenants	Deleted
281	Statutory Auditors: Special Audit	Deleted
283	Exit Route for IDF in case, no IPO had been made by the Company till IPO Scheduled date	Deleted
282(d)	Other Covenants	Deleted
282(e)	Other Covenants	Deleted
282(f)	Other Covenants	Deleted
287 to 290	Buy-Out Obligations	Deleted
299 to 301	Right of IFC to nominate one director and obligation of promoter to maintain minimum shareholding of 26%	Added

The new set of Article of Association of the Company proposed to be adopted has been finalized after giving effect to the modification specified hereinabove.

Pursuant to the provision of Section 31 of the Companies Act, 1956, any amendment in the Article of Association of the Company requires approval of the Members of the Company.

Copy of existing Articles of Association and revised Articles of Association will be made available for inspection at the registered office of the Company during the working hours of the company on any working day up to the date of Annual General Meeting.

None of the Directors is in any way concerned or interested in the proposed resolution.

Your Directors recommend the resolution for approval of the members.

## **Item No. 12**

With a view to attract, reward, motivate and retain employees, who have shown high level of individual performance and for the efforts put in by them to improve the performance of the Company which ultimately contributes to the success of the Company, the Company adopted the Employee Stock Option Plan - 2005 under which the Eligible Employees would be given a right to acquire the Shares of the Company.

Members, at the Extra Ordinary General Meeting held on 18<sup>th</sup> October 2005, approved issue of 80,84,865 options under the ESOP Scheme. The Compensation Committee of Directors has approved grant of 14,39,300 options to the employees of Gujarat State Petroleum Corporation Limited (GSPC), (holding company) and 8,88,640 options to the employees of GSPL.

It is proposed to grant fresh options to the eligible employees under pre-IPO Scheme, namely Employee Stock Option Plan 2005.

However, Clause - 22.2A (1) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, stipulates that any fresh Grant of options under any Employee Stock Option Scheme framed prior to the IPO shall not be made unless-

- (i) such Pre-IPO Scheme is in conformity with these guidelines; and
- (ii) such Pre-IPO Scheme is ratified by its shareholders in General Meeting subsequent to the IPO.

The Pre-IPO Scheme is in conformity with these guidelines.

However, being a Pre-IPO Scheme, it is proposed to seek ratification of the Pre-IPO Scheme.

The following is the Explanatory Statement, which sets out the various disclosures as required by Clause 6 of the SEBI (ESOS & ESPS) Guidelines.

The salient features of the Plan are as under :

- a. The total number of Options to be granted up to 80,84,865 equity shares of Rs.10/- each or such number as may be required on account of Corporate Action.
- b. Identification of classes of Employees entitled to participate in the ESOP.  
Employees entitled to participate in the ESOP are "Employees" of the Company including Directors (whether full time or not) and Employees of Subsidiary or Holding Companies, as defined in the Employee Stock Option Plan/Guidelines and as may be decided by the Compensation Committee, from time to time. Identification of Employees eligible to participate in the ESOP and Grant of options to identified Employees will be based on such parameters as may be decided by the Compensation Committee, in its discretion, from time to time. The options granted to an Employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
- c. The Company has granted options under two plans i.e. ESOP-I and ESOP-II. Under ESOP-I 7,64,000 options have been granted which have already been vested on expiry of first year from the date of grant. Under ESOP - II 15,63,940 options have been granted which will vest over a period of 4 years (25% in the each year) from the date of grant. The remaining 57,56,925 options will be granted by the Compensation Committee after obtaining approval of the members under Clause 22.2A of SEBI(ESOS & ESPS) Guidelines. Further the compensation committee is also authorized to decide about grant of options which have been forfeited/lapsed/cancelled.
- d. Maximum period of vesting.  
Maximum period of vesting for the options already granted is four years from the date of grant.
- e. Exercise price or pricing formula.  
As per the earlier approval of the shareholders, the exercise price will be Rs.14/- per share.
- f. Exercise period and the process of Exercise.  
The exercise period commences from the date of vesting, and will expire at the end of 5 years from the date of vesting of options or such other period as may be decided by the Compensation Committee, from time to time. The Options will be exercisable by the Employees by a written application to the Company to exercise the options, in such manner and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.
- g. Process for determining the eligibility of employees.  
The compensation committee, in its sole discretion, will determine eligibility criteria for eligible employees.
- h. Maximum number of options to be issued per Employee and in aggregate.  
The maximum number of options granted per Employee/Director during any one year, will not exceed 1% of the Subscribed Share Capital of the Company and in aggregate shall not exceed 2% of the Subscribed Share Capital of the Company during the plan period.
- i. The Company shall conform to the Accounting Policies specified in Clause 13.1 of the SEBI (ESOS & ESPS) Guidelines and/or such other guidelines as may be applicable, from time to time.
- j. The price for grant of 80,84,865 options was decided by the shareholders in Extra ordinary general Meeting held on 18<sup>th</sup> October 2005 based on the fair value method.
- k. In case the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' report.