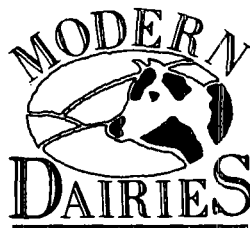


16th
**ANNUAL
REPORT**
2007-2008



MODERN DAIRIES LIMITED

ANNUAL REPORT 16TH**BOARD OF DIRECTORS**

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Mr. Amarjit Goyal

Mrs. Alka Goyal

Mr. Satish Tandon

Prof. Satish Kapoor

Mr. Hardyal Sehrawat (Nominee Director)

Mr. Harvinder Singh Oberoi, Director (Operations)

COMPANY SECRETARY

Ms. Anubha Garg

AUDITORS

M/s A. Goel & Associates

Chartered Accountants

BANKERS

Punjab National Bank

State Bank of India

Canara Bank

CONTENTS

Notice	2
Directors' Report	14
Corporate Governance Report	19
Auditor's Report	29
Balance Sheet	32
Profit & Loss Account	33
Cash Flow Statement	34
Schedules	35

CORPORATE OFFICE

SCO 98-99, Sub City Centre,

Sector 34, Chandigarh-160 022

REGISTERED OFFICE & WORKS

136 KM, G.T. Road,

Karnal - 132 001 (Haryana)

REGISTRARS & SHARE TRANSFER AGENTS

MCS Limited

Srivenkatesh Bhawan, W-40, Okhla Industrial Area,

Phase II, New Delhi - 110 020



MODERN DAIRIES LIMITED

NOTICE

Notice is hereby given that the 16th Annual General Meeting of the members of Modern Dairies Limited will be held at its Registered Office at 136 KM, G.T. Road, Karnal -132 001 (Haryana) on Monday, the 29th September, 2008 at 11:00 a.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2008, the Profit & Loss Account of the Company for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Bhupendra Nath Mathur, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Satish Tandon, who retires by rotation, and being eligible offers himself for re-appointment.
4. **To consider and if thought fit to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

"RESOLVED that subject to the provisions of Section 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s S.R. Batliboi & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors M/s. A. Goel & Associates, Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2008-09, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

AS SPECIAL BUSINESS:

5. **To consider and if thought fit to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION.**

"RESOLVED that pursuant to section 31 & other applicable provisions of the Companies Act, 1956 including any statutory modification or re-enactment thereof, the Articles of Association of the Company be and are hereby altered in the following manner:

- (i) That in the existing Article 1 (Interpretation), the following definitions be inserted in alphabetical order as follows:

"Accounting Standards" means Indian Generally Accepted Accounting Principles, ("Indian GAAP") issued by the Institute of Chartered Accountants of India (ICAI), together with its pronouncements thereon from time to time, and applied on a consistent basis;

"Affiliate" means (i) with respect to any person being an entity, any person directly or indirectly controlling, controlled by or under common control with, that person; and (ii) with respect to any natural person, any Family Member of that person;

"AGM" means the annual general meeting of the Company's shareholders;

"Applicable Law" means all applicable statutes, laws, ordinances, rules and regulations, including but not limited to, the Act, any license, permit or other governmental Authorization, in each case as in effect from time to time;

"Authority" means any national, regional or local government or governmental, administrative, fiscal, judicial, or government-owned body, department, commission, authority, tribunal, agency or entity, or central bank (or any Person, whether or not government owned and howsoever constituted or called, that exercises the functions of a central bank), or stock exchange;

"Authorizations" means any consent, registration, filing, notarization, certificate, license, approval, permit, authority or exemption from, by or with any Authority, including without limitation all corporate, creditors' and shareholders' approvals or consents;

"Authorized Representative" means any natural person who is duly authorized by the Company to act on its behalf for the purposes specified in, and whose name and a specimen of whose signature appear on, the Certificate of Incumbency and Authority most recently delivered to IFC;

"Business" means production and distribution of dairy and related products;

"Chairman" means the chairman of the Board of Directors of the Company appointed from time to time in accordance with Article 117;

"Change in Control" means any Transfer that would result in the Sponsor Group collectively holding less than forty-five percent (45%) of the Shareholding of the Company;

ANNUAL REPORT 16TH

"Charter" means the Memorandum of Association, the Articles of Association and the By-Laws of the Company;

"Company Offering" means a public offering and sale of shares or Share Equivalents for the Company's account or any offering of shares or Share Equivalents, public or private, for the account of other security holders, including, but not limited to, an offering of shares or Share Equivalents sponsored, placed or facilitated by the Company on behalf of such other security holders;

"Control" means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person through the ownership of voting securities or otherwise; provided that the direct or indirect ownership of fifty-one (51%) or more of the voting share capital of a Person is deemed to constitute control of that Person;

"Country" means the Republic of India;

"Distribution" means (i) the transfer of cash or other property without consideration, whether by way of dividend or otherwise, or (ii) the purchase of shares or redemption of shares or Share Equivalents of the Company for cash or property;

"Dollar" or "\$" means the lawful currency of the United States of America;

"EGM" means the extraordinary general meeting of the Company's shareholders;

"Equity Share" means an equity share in the Company with a nominal value of Rs. 10 each;

"Exercise Period" has the meaning as set forth in Article 190B (b) (i);

"Financial Year" means the accounting year of the Company commencing each year on April 1 and ending on the following March 31, or such other period as the Company, upon thirty (30) days prior notice to IFC, from time to time designates as its accounting year;

"Fully Diluted Basis" means with respect to any calculation of the number of outstanding shares of the Company, calculated as if all Share Equivalents outstanding on the date of calculation have been exercised or exchanged for or converted into Equity Shares;

"General Meeting" means either an EGM or an AGM;

"Independent Director" means a director of the Company who: (i) has not been employed by the

Company or its Affiliates in the past five years, (ii) is not, and is not affiliated with a company that is an advisor or consultant to the Company or its Affiliates, (iii) is not affiliated with a significant customer or supplier of the Company or its Affiliates, (iv) has no personal service contracts with the Company, its Affiliates, or its senior management, (v) is not a Member of the immediate family of an individual who is, or has been during the past five years, employed by the Company or its Affiliates as an executive officer; and (vi) is not a Controlling Person of the Company (or Member of a group of individuals and/or entities that collectively exercise Control over the Company);

"IFC" means International Finance Corporation;

"IFC Shares" means the Shares to be subscribed or, as the case may be, subscribed by IFC pursuant to the IFC Subscription;

"IFC Subscription" means the subscription for Shares by IFC on terms and conditions agreed to with the Sponsor Group;

"Key Subsidiary" means any Subsidiary of the Company that meets any of the following conditions: (i) the Company's and its other Subsidiaries' investments in and advances to such Subsidiary exceed fifty percent (50 %) of the total assets of the Company and its Subsidiaries, consolidated as of the end of the most recently completed fiscal year of the Company, (ii) such Subsidiary's share of the total assets (after inter-company eliminations) of the Company and its Subsidiaries exceeds fifty percent (50%) of such assets, consolidated as of the end of the most recently completed fiscal year of the Company, or (iii) such Subsidiary's share in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principles of the Company and its Subsidiaries exceeds fifty percent (50%) of such income, consolidated as of the end of the most recently completed fiscal year of the Company;

"Lien" means any mortgage, pledge, charge, assignment, hypothecation, security interest, title retention, preferential right, trust arrangement, right of set-off, counterclaim or banker's lien, privilege or priority of any kind having the effect of security, any designation of loss payees or beneficiaries or any similar arrangement under or with respect to



MODERN DAIRIES LIMITED

any insurance policy or any preference of one creditor over another arising by operation of law;

"MDFL" means Modern Dairy Farms Limited, a company incorporated under the laws of India and having its registered office at 136 KM, G.T. Road, Karnal-132001, Haryana;

"Observer" has the meaning set forth in Article 191 (1);

"Offer Securities" means all or any portion of the Equity Shares issued or issuable to IFC from to time and proposed by IFC to be included in a Company Offering;

"Offering Expenses" means any and all reasonable out-of-pocket expenses incurred in connection with the Company Offering, including, but not limited to, the reasonable fees and disbursements of one firm of counsel (other than in-house counsel) retained by IFC in connection with such Company Offering, but excluding customary underwriting discounts and commissions;

"Operations" means the operations, activities and facilities of the Company and the Subsidiaries (including the design, construction, operations, maintenance, management and monitoring thereof as applicable) in the Country;

"Overriding Articles" means Articles 189 to 189B, 190 to 190 F, 66(4)-(6), 68, 69, 73, 191, 115, 117, 118, 124 and 192 are the Overriding Articles;

"Person" means any natural person, corporation, company, partnership, firm, voluntary association, joint venture, trust, unincorporated organization, Authority or any other entity whether acting in an individual, fiduciary or other capacity;

"Related Party" means any Person that: (i) is an Affiliate of another specified Person; (ii) serves as a director, officer, employee, partner, executor, or trustee of such specified Person; (iii) in which such specified Person holds a material interest, including by way of holding any shares; or (iv) that holds a material interest in such specified Person. With respect to an individual, "Related Party" shall include any individual who is Member of such individual's Family Members, and any Person who is a Related Party of that Family Member. For the purpose of this definition, "material interest" shall mean a direct or indirect ownership of voting shares representing at least 20% of the outstanding voting power or equity of a Person;

"Required Liquidity" means an average trading volume of the Company's Shares of at least 70,000 Shares per trading day. The "Required Liquidity" shall in respect of a relevant date, be determined by taking the average trading volume of the Company's Shares on the stock exchange(s) where the Company's Shares are listed, as measured over a period of 6 months prior to such relevant date;

"Selling Shareholder" has the meaning set forth in Article 190B(a);

"Shares" means the Equity Shares of all classes of the Company;

"Share Capital" means the total paid up share capital of the Company determined on a Fully Diluted Basis;

"Share Equivalents" means preference shares, bonds, loans, warrants, options or other similar instruments or securities which are convertible into or exercisable or exchangeable for, or which carry a right to subscribe for or purchase, Equity Shares;

"Shareholders" refers to any Person holding Shares or Share Equivalents of the Company and "Shareholder" shall refer to any one of them, as the context may require;

"Shareholding" the number or the percentage (as the context may require) of Shares held by a Shareholder on a Fully Diluted Basis, unless expressly provided otherwise, in relation to the total number of Shares held by all the Shareholders;

"Sponsor Group" means Krishan Kumar Goyal, a citizen of the Republic of India currently residing at 67, Sector 7, Panchkula, Haryana, Alka Goyal, Amarjit Goyal, Aditya Goyal, Sonam Goyal, Chandigarh Finance Private Limited, Bhanu Investments and Commerce Limited, Shree Ganesh Investments and Industries Limited, Nabha Finance Private Limited, Bharat Forgings Private Limited, Krishan Kumar Goyal (HUF) and Amarjit Goyal (HUF) (collectively the Sponsor Group);

"Subsidiary" means with respect to the Company, an Affiliate over fifty percent (50%) of whose capital is owned, directly or indirectly, by the Company;

"Trade Sale" means (i) any amalgamation, merger, consolidation, reconstitution, restructuring, sale of Shares or similar transaction that results in a Change in Control of the Company or any of its Key Subsidiaries, or (ii) the sale or Transfer of all or substantially all of the business, operations or

ANNUAL REPORT 16TH

assets of the Company or of any of its Key Subsidiaries;

"Transfer" means to transfer, sell, convey, assign, pledge, hypothecate, create a security interest in or Lien on, place in trust (voting or otherwise), transfer by operation of law or in any other way subject to any encumbrance or dispose of, whether or not voluntarily;

"Transfer Notice" has the meaning set forth in Article 190B(b) (i);

"World Bank" means the International Bank for Reconstruction and Development, an international organization established by Articles of Agreement among its Member countries;

- (ii) That in the existing Article 1 (Interpretation), the following definitions be substituted for the existing definitions, as follows:

"Auditors" means the independent auditors of the Company, acceptable to IFC, appointed from time to time, in accordance with the terms of these Articles;

"Director" means a director of the Company nominated and elected from time to time in accordance with Article 191;

- (iii) That the words "Subject to the provisions of these Articles" be inserted prior to second paragraph of Article 4 (Division of Capital).

Substitutions/deletions:-

- (iv) That the existing Article 38 be substituted with the following new clause:

38. TRANSFERABILITY OF SHARES

Subject to the provisions of section 111 A of the Act, and other provisions of these Articles, including Articles 190B and 190E, the Shares or debentures and any interest therein of the Company shall be freely transferable.

- (v) That the existing Article 41 be substituted with the following new clause:

41. NOTICE OF REFUSAL TO REGISTER TRANSFER

If the Board refuses to register the transfer of or the transmission by operation of law of the right to any share in accordance with Article 35, the Company shall within one month from the date on which the instrument of transfer or the intimation of such transmission, as the case may be, was lodged with the Company, send to the transferee and the transferor or to the person giving intimation

of such transmission, as the case may be, notice of the refusal.

- (vi) That the words "Subject to the provisions of these Articles" be inserted at the beginning of Article 53 (Power to Sub-divide and consolidate shares), Article 56 (Power to modify rights) and Article 186 (Winding Up).

- (vii) That the existing Article 61 be substituted with the following new clause:

61. TRANSFERABILITY OF DEBENTURES

Subject to the provisions of section 111 A of the Act the debentures of the Company shall be freely transferable.

- (viii) That in existing Article 66, the following new clauses (4) to (6) be inserted as follows:

(4) The notice shall include an agenda/explanatory statement setting out the business proposed to be transacted at the General Meeting and the text of any resolutions proposed to be passed at such meeting. No business (other than the matters specified in the notice for the General Meeting) shall be transacted at any General Meeting.

(5) A General Meeting may be convened at a shorter notice with consent of such majority of Shareholders as prescribed by the Act, provided that IFC should have consented to such shorter notice period.

(6) The Board shall provide the Company's previous financial year's audited financial statements to all Shareholders at least thirty (30) days before the AGM is held to approve and adopt such audited financial statements.

- (ix) That the existing Articles 68, 69 and 73 be deleted and substituted with the following clauses:

68. QUORUM TO BE PRESENT WHEN BUSINESS COMMENCED

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. The quorum for a General Meeting shall be Shareholders holding a majority of the Shares then outstanding.

69. WHEN QUORUM IS NOT PRESENT, MEETING TO BE DISSOLVED AND TO BE ADJOURNED.

In the absence of a valid quorum at a General Meeting, duly convened and held, the meeting shall be adjourned to the same day in the next week, at the same time and place or to such other day and



MODERN DAIRIES LIMITED

at such other time and place as the Board may determine.

73. HOW QUESTIONS TO BE DECIDED AT MEETINGS. CASTING VOTE

Every question submitted to a meeting shall be decided, in the first instance by a show of hands, and in the case of an equality of votes, both on a show of hands and on a poll. The Chairman of the meeting shall not have a casting vote.

- (x) That the existing Article 115 be deleted and substituted with the following clause:

115. MEETING OF DIRECTORS

(a) The Board shall meet at least once every fiscal quarter (i.e., once every three (3) months), subject to an annual schedule and confirmation of the date of the next Board meeting at the previous Board meeting. Meetings of the Board shall be held in Chandigarh at the corporate office of the Company or at such other place as may be reasonably determined by the Board of Directors.

(b) Written notice of each meeting of the Board or a committee shall be given to the Directors, any Observer, and their alternates, if any, at the address notified from time to time by the Directors, any Observer, and their alternates, at least fifteen (15) days in advance of such meeting, provided that a shorter period of notice may be given with the written approval of a majority of the Directors, including the IFC Director.

(c) An agenda setting out in detail the items of business proposed to be transacted at a meeting of the Board or committee together with necessary information and supporting documents shall be circulated to each of the Directors, any Observer, and their respective alternates at least fifteen (15) days prior to the date of the relevant meeting, provided that a shorter period of notice may be given with the written approval of a majority of the Directors, including the IFC Director.

(d) The reasonable costs incurred by the IFC Director and/or an IFC Alternate Director or the Observer in attending a meeting of the Board or committee or a General Meeting (including the reasonable costs of travel and attendance of the Observer) shall be reimbursed by the Company.

- (xi) That the existing Articles 117, 118, 120 and 124 be deleted and substituted with the following clauses:

117. CHAIRMAN

The Board shall appoint a Chairman of its meetings and determine the period for which he is to hold office. The Chairman shall preside at all meetings of the Board and at all General Meetings. If no such Chairman is appointed or if at any meeting of the Board, the Chairman is not present within fifteen minutes after the time appointed for holding the same, the Directors present shall close some one of their numbers to be the Chairman of such meeting. The Chairman shall not have a casting or second vote at any meeting of the Board or any committee in the event of an equality of votes.

118. QUORUM

(a) The quorum for a meeting of the Board, duly convened and held, shall be a majority of the Directors.

(b) In the absence of a valid quorum at a meeting of the Board, duly convened, the meeting shall be adjourned to the same time and place not earlier than ten (10) days but no later than twenty-one (21) days thereafter as the Chairman may determine. The quorum requirements as set out in Article 118 (a) above shall also be applicable at such adjourned meeting of the Board.

(c) Subject to Applicable Law, any Director shall be entitled to participate in a meeting of the Board in which he or she is not physically present, by telephone or video conference or similar electronic means and the Chairman of such meeting shall record such Director's observations in the minutes of such meeting.

120. OMITTED

124. RESOLUTION BY CIRCULATION OR WRITTEN CONSENT

No resolution shall be deemed to have been duly passed by the Board or a committee by circulation or written consent, unless the resolution has been circulated in draft, together with the information required to make a fully-informed good faith decision with respect to such resolution and appropriate documents required to evidence passage of such resolution, if any, to all Directors (including any Observers) or to all Members of the committee, and to all other Directors (including any Observers) or Members at their usual address, and has been unanimously approved in writing by such of them as are entitled to vote on the resolution.

ANNUAL REPORT 16TH**Insertions :-**

- (xii) That after the existing Article 188, the following new Articles be inserted:

189. IFC CONSENT RIGHTS

(a) Notwithstanding anything to the contrary, the Company, and where applicable, its Key Subsidiaries shall not take the following decisions and actions without the prior written consent of IFC:

(i) amend or make any change in the Charter of the Company in any way which may alter or change the rights, privileges or preferences of the IFC Shares;

(ii) make or enable any change in the designations, powers, rights, preferences or privileges, or the qualifications, limitations or restrictions of any IFC Shares, including by issuance or authorization of any securities having a structural or legal preference over the IFC Shares with respect to any matter, including, without limitation, dividend rights, voting rights or liquidation preference;

(iii) authorize or undertake any Trade Sale;

(iv) authorize or undertake any reduction of capital;

(v) proceed with any liquidation, winding up or bankruptcy, reorganization or other analogous insolvency proceeding of the Company or any Key Subsidiary;

(vi) change the nature of Business of the Company or commence any new business;

(vii) amend any of the terms and conditions of the long-term milk supply agreement entered between the Company and MDFL;

(viii) deregister or delist the Company, or any of its listed Shares or Share Equivalents; and

(ix) create a new Subsidiary; and

(x) issue any new Shares at a per share price below Rs. 60.

189A. SPECIAL MAJORITY CONSENT RIGHTS

Notwithstanding anything to the contrary, the Company, and where applicable, its Key Subsidiaries shall not take the following decisions and actions without the prior written consent of the majority of the Board of Directors, including the IFC Director (if appointed by IFC) and the unanimous consent of the Independent Directors of the Company:

(i) undertake any transactions with any Related

Party of the Company (including any Director, employee, officer or an Affiliate of the Company), or any Related Party of any Key Subsidiary or Related Party of the Sponsor Group, other than on arm's length basis;

(ii) change the Company's Auditor (except as may be required by IFC under the terms of these Articles) or change the Financial Year of the Company;

(iii) declare or make any payment of any Distribution inconsistent with the Charter or dividend policy of the Company.

189B. INFORMATION RIGHTS

(a) As long as IFC holds any of the Shares in the Company, the Company shall deliver to IFC the following information:

Quarterly unaudited financial statements and audited annual financial statements for the Company (on a consolidated basis) prepared in accordance with the Accounting Standards and certified by the Auditors;

Provided that, the Company shall not be required to deliver any information described in this Article 189B(a) to IFC, (A) if such delivery would be in violation of Applicable Law or (B) following a determination by the Board of Directors that the Company has a substantial and bona fide business reason not to disseminate such information and such delay or failure to disseminate such information does not violate Applicable Law (and only for so long as such substantial and bona fide business reason continues). The Company shall ensure that all Shareholders of the Company (including IFC and the Sponsor Group) have fair and timely access to all material information related to the Company on an equitable basis; it being understood that if any information is provided to a Director in his capacity as Director and is not otherwise required to be provided or disclosed to the Shareholders, and if the possession of such information would prohibit IFC from trading in the securities of the Company (e.g., unpublished price sensitive information), then unless otherwise determined by the Board of Directors for substantial and bona fide business reasons, the Company shall promptly publish such information.

(b) The Company shall promptly provide to IFC such information as IFC from time to time requests with regard to any material developments in or affecting



MODERN DAIRIES LIMITED

the Company's Business and/or Operations.

(c) Upon IFC's request, and with reasonable prior notice to the Company, permit representatives of IFC during normal business hours to visit the principal facility of the Company, to discuss the affairs, finances and accounts of the Company and its Key Subsidiaries with the appropriate officers of the Company.

190. OWNERSHIP AND SHARE RETENTION

The Sponsor Group shall, for so long as IFC is a Shareholder, collectively maintain an aggregate voting and economic interest (which interest shall include the right to vote and the right to receive a proportionate share of dividends, profits, liquidation proceeds and other similar amounts distributed by the Company) in the Company equal to at least 45% of the Equity Shares issued and outstanding from time to time, such that the Sponsor Group as a group shall for such time be the single largest Shareholder of the Company.

190A. PRE-EMPTIVE RIGHT

(a) IFC shall have the right to purchase its pro rata share of New Securities (as defined below), as of immediately prior to the issuance of the New Securities.

(b) If the Company proposes to issue New Securities, it shall give IFC written notice of its intention, describing the New Securities, their price and their general terms of issuance and specifying IFC's pro rata share of such issuance. IFC shall have thirty (30) days after any such notice is mailed or delivered to agree to purchase up to its pro rata share of the New Securities for the price and on the terms specified in such notice.

(c) "New Securities" shall mean any shares or Share Equivalents of the Company; provided that the term "New Securities" does not include:

- (i) Equity Shares (or options to purchase Equity Shares) issued or issuable to officers, directors and employees of the Company pursuant to the Company's employee stock option plan;
- (ii) Equity Shares issuable upon the exercise or conversion of Share Equivalents issued; and
- (iii) Equity Shares issuable in a Company Offering (not being a private placement of Equity Shares).

190B. TAG-ALONG RIGHTS

(a) If any of the Sponsor Group (each, a "Selling Shareholder" and all of them, collectively, the

"Selling Shareholders") proposes to Transfer (directly or indirectly) any Shares or Share Equivalents to a third party Transferee (a "Buyer") (being a Person other than any other Sponsor) and if such Transfer would result in the shareholding of the Sponsor Group falling below 45%, then IFC shall have the right, but not the obligation, to participate in such Transfer in accordance with this Article.

(b) (i) The Selling Shareholders will promptly, but in any case not later than thirty (30) days prior to the proposed date of closing of any such Transfer give notice (the "Transfer Notice") to IFC. The Transfer Notice shall describe in reasonable detail the proposed Transfer, including but not limited to the number of Shares to be Transferred, the consideration to be paid, other material terms and conditions of the proposed Transfer, and the name and address of each Transferee. IFC shall have the right to participate in the proposed Transfer by notifying the Selling Shareholders within a period of twenty five (25) days from IFC's receipt of the Transfer Notice (the "Exercise Period") of the number of Shares it wishes to Transfer.

(ii) IFC shall ordinarily be entitled to Transfer the number of Shares obtained by multiplying the number of the Shares to be transferred by the Selling Shareholders by a fraction, the numerator of which shall be (A) the number of Shares then held by IFC and the denominator of which shall be (B) the aggregate number of Shares then held by the Selling Shareholders and IFC. However, if the proposed Transfer would result in the shareholding of the Sponsor Group falling below 26%, or if following the proposed Transfer of the Shares held by IFC would account for less than five percent (5%) of the Shares then outstanding, IFC may Transfer up to all of the Shares held by IFC in preference to any other Shareholder, including the Selling Shareholder.

(iii) Any Transfer by IFC shall be made on substantially the same terms and conditions as described in the Transfer Notice. However, IFC shall not be required to make any representation or warranty to the Buyer, other than as to good title to any Shares that IFC proposes to Transfer, absence of material Liens with respect to such Shares, and customary representations concerning IFC's power and authority to undertake the proposed

ANNUAL REPORT 16TH

Transfer, and the validity and enforceability of IFC's obligations in connection with it.

(c) The Selling Shareholders shall have a period of thirty (30) days from the expiration of the Exercise Period in which to Transfer to the Buyer the Shares proposed to be Transferred (including, if applicable, any Shares to be Transferred by IFC), upon terms and conditions (including consideration for the Transfer) no more favorable than those specified in the Transfer Notice. If the Selling Shareholders do not complete the Transfer within such period, IFC's tag-along rights shall be applicable to any subsequent proposed Transfer by the Selling Shareholders.

(d) To the extent that any Buyer refuses to purchase Shares from IFC (upon exercise of its tag-along rights) hereunder, the Selling Shareholders shall not Transfer to that Buyer any of their Shares unless, prior to or simultaneously with such Transfer, the Selling Shareholders acquire from IFC the Shares that IFC wishes to Transfer in accordance with this Article.

190C. OFFERING RIGHTS

(a) Right to Participate in an Overseas Company Offering. If the Company proposes to undertake an offering/ listing of its Shares on any stock exchange other than an Indian Stock Exchange ("Overseas Company Offering"), the Company shall give notice to IFC promptly of its intention to do so, specifying the other material terms of such proposed Overseas Company Offering. Upon the request of IFC delivered to the Company within thirty (30) days after receipt of the Company's notice, the Company shall include in such Overseas Company Offering all of the offer securities specified by IFC in a request delivered to the Company within twenty (20) days after the date of the Company's notice.

(b) Trading. If the Company lists its Shares on any securities exchange or other trading market (other than an Indian Stock Exchange), the Company shall, to the fullest extent permitted by law, take all such actions as may be necessary or appropriate to list all Shares, or Shares issued or issuable in respect of Shares owned by IFC, such that such Shares will be freely tradable by IFC on such market. For avoidance of doubt it is clarified that if consequent upon a listing of its Shares on any stock exchange or other trading market (other than an Indian Stock

Exchange), the IFC Shares will be automatically listed and tradable on such stock exchange, then this Article 190C(b) shall not be applicable.

(c) Cut-backs. If an Overseas Company Offering (as referred to in Article 190C(a)) is an underwritten offering, and the managing underwriter advises the Company that, in its opinion, the number of Shares and/or securities proposed to be included in such Company Offering should be limited due to market conditions, then the Company shall so advise IFC, and the number of Shares and/or securities to be included in such Company Offering shall be allocated (i) first, to the Company for securities being sold for its own account, (ii) second, to IFC, and (iii) finally, to other Selling Shareholders of such Shares or securities, if any.

Notwithstanding any such limitation, if the Company lists its Shares on any non-Indian securities exchange or other trading market, the Company shall, to the fullest extent permitted by law, take all such actions as may be necessary or appropriate to list all Shares, or Shares issued or issuable in respect of Share Equivalents owned by IFC, such that such Shares will be freely tradable by IFC on such market.

(d) Costs. The Company shall pay all Offering Expenses incurred in connection with each Company Offering (as referred to in Article 190C(a)), including but not limited to any costs reasonably incurred by IFC in connection with its participation or proposed participation in any such offering (other than customary underwriter discounts).

(e) Underwritten Offerings. If an Overseas Company Offering (as referred to in Article 190C(a)) involves an underwritten offering, and IFC has elected to participate in such offering, IFC shall sell the Offer Securities to be included in such offering to the underwriters selected by the Company on the same terms and conditions as apply to the Company or the relevant Sponsor. However, IFC shall not be required to make any representation or warranty to any Person in connection with such offering except (i) that it has good title to and that there are no material Liens on the Offer Securities or other securities, as the case may be, to be sold by IFC, and (ii) its authority to enter into, and the validity and binding effect of,