

Continuing journey for
Excellence & Sustainability



Disclaimer

In this annual report, we have disclosed forward-looking information to help investors comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

> Notice 01 > Directors' Report 17 > Management Discussion and Analysis 25
 > Report on Corporate Governance 32 > Auditors Report 47 > Balance Sheet 50 > Profit & Loss Account 51
 > Schedules 52 > Notes on Accounts 59 > Balance Sheet Abstract 67 > Cash Flow Statement 68
 > Consolidated Accounts 69 > Accounts of Subsidiary Company 88



Notice

NECTAR LIFESCIENCES LIMITED

Registered Office: Village Saidpura, Tehsil Derabassi, Distt. S.A.S. Nagar (Mohali) Punjab

Notice is hereby given that the 15th Annual General Meeting of the members of Nectar Lifesciences Limited will be held on Wednesday, the 29th day of September, 2010 at the registered office and works of the company at Village Saidpura, Tehsil Derabassi, Distt. S.A.S. Nagar (Mohali) Punjab at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the Financial Year ended on that date, together with the Reports of Board of Directors and the Auditors thereon.
2. To confirm the payment of Interim Dividend of Re. 0.25 per share, as declared by the Board of Directors as on 15.01.2010.
3. To appoint a Director in place of Mr. Vijay J. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Datta Singla & Company, Chartered Accountants, the retiring Auditors of the company, as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Vivek Sett who was appointed as an additional director of the company by the Board of directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing under section 257 proposing his candidature for the office of director, be and is hereby appointed as a director of the company, who will not be liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Dr. (Maj. Gen.) S. S. Chauhan, VSM who was appointed as an additional director of the company by the Board of directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of

whom the company has received a notice in writing under section 257 proposing his candidature for the office of director, be and is hereby appointed as a director of the company, who will be liable to retire by rotation."

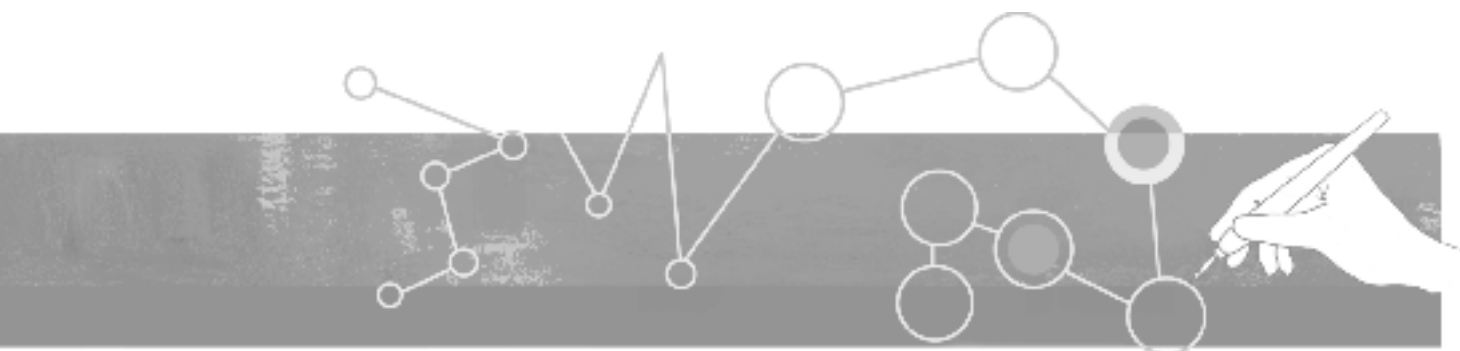
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Raman Kapur, who was appointed as an additional director of the company by the Board of directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the company has received a notice in writing under section 257 proposing his candidature for the office of director, be and is hereby appointed as a director of the company, who will be liable to retire by rotation."

8. 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 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) (hereinafter referred to as, "the Act"), read with Schedule XIII, and pursuant to the provisions of Memorandum and Articles of Association of the Company the consent of the Members be and is hereby accorded to the revision of remuneration of Mr. Dinesh Dua, Wholtime Director designated Chief Executive Officer & Director of the company as per followings:

1. With Effect from October 1, 2009 till March 31, 2010 on the terms and conditions including remuneration as are set out hereinbelow:
 - a) Salary: Rs. 880,000.00 (Rupees Eight Lac Eighty Thousand only) per month.
 - b) He is also entitling to bonus of Rs. 840,000.00 for the financial year 2009-2010.
 - c) Perquisites: He shall be entitled to medical reimbursement, club fees, personal accident insurance, company maintained car, telephone and such other perquisites in accordance with the company's rules, the monetary value of such perquisites to be determined in accordance with



the Income Tax Rules, 1962, being restricted to Rs. 1.00 lacs per annum.

2. With Effect from April 1, 2010 till the end of his tenure i.e. 27.11.2013 on the terms and conditions including remuneration as are set out hereinbelow:

- a) Salary: Rs. 966,000.00 (Rupees Nine Lac Sixty Six Thousand only) per month or such other increment as may be decided by the Board of Directors from time to time.
- b) He is also entitling to bonus equivalent to his one month salary in a financial year.
- c) Perquisites: He shall be entitled to medical reimbursement, club fees, personal accident insurance, company maintained car, telephone and such other perquisites in accordance with the company's rules, the monetary value of such perquisites to be determined in accordance with the Income Tax Rules, 1962, being restricted to Rs. 1.00 lacs per annum.

FURTHER RESOLVED THAT the Board shall have the discretion and authority to modify the foregoing terms of remuneration within the parameters of the applicable provisions of the Companies Act, 1956."

9. 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 31 of the Companies Act, 1956 and other applicable provisions, if any, the Articles of Associations of the company be and are hereby amended in the manner as set out below:

- 1) In the Article 2

- l) After the definition of "the act", the following definitions have been inserted:

"Affiliate"

"Affiliate" means, in relation to any Person, any entity controlled, directly or indirectly, by that Person, any entity that controls, directly or indirectly, that Person, or any entity under common control with that Person or, in the case of a natural person, any Relative (as such term is defined in the Act) of such Person. For the purpose of this definition:

- (i) control means the power to direct the management and policies of an entity whether

through the ownership of voting capital, through the right to appoint a majority of directors to the board of an entity, by contract or otherwise (and the terms "controlled" and "controlling" shall be construed accordingly unless repugnant to the context), and

- (ii) A holding or subsidiary company of any entity shall be deemed to be an Affiliate of that entity

"Agreement"

"Agreement" means the investment agreement dated 19 February 2010 entered into between the Company and the Investor.

"Annual Budget"

"Annual Budget" has the meaning as given to it in Article 210A (i).

- II) After the definition of "the Board", the following definition has been inserted:

"Business"

"Business" means and includes manufacturing of bulk drugs Active Pharmaceutical Ingredients, generic pharmaceutical drug formulations, and/or finished dosage forms, empty hard gelatin. Capsules, and/or Phytochemicals (menthol).

- III) After the definition of "The Company", the following definitions have been inserted:

"Competitor"

"Competitor" has the meaning as given to it in Article 44A.

"Completion"

"Completion" means the date on which all the Completion activities takes place.

"Completion Date"

"Completion Date" means the date of allotment of Subscription Shares i.e. 20 February 2010.

"Connected Person"

"Connected Person" of the Company means (i) any company under the same management (as defined by the erstwhile Section 370 (1-B) of the Act) as the Company; (ii) any director or key management personnel of the Company or of any of its Subsidiary or any relative (as defined under the Act) of any such director or key management personnel; (iii) the

Promoters or any Affiliate of any of the Promoters; (iv) any listed company in which the Company, the Promoters, or any Affiliate or partner of Promoters or Affiliate is a director or hold/s shares exceeding percentage ten (10 %) of the paid-up equity share capital of such listed company; (v) any company, the board of directors, managing director or manager whereof acts or is accustomed to act in accordance with the directions or instructions of the Board of Directors of the Company, of the Promoters, or of any Affiliate mentioned above; and (vi) all such Persons who have the ability to Control the Company, its Subsidiaries or any directors of the Company or its subsidiaries or exercise significant influence (which means participation in and not necessarily control over) over the Company or its Subsidiaries in making financial or operating decisions; Provided however that in no event shall the Investor, the Investor Director or any of its Affiliates or their respective directors be considered or deemed to be a Connected Person/Concern of the Company.

“Deed of Adherence”

“Deed of Adherence” means the deed of adherence a format of which is set out in Schedule 9 of the Agreement.

“Dilution Instrument”

“Dilution Instrument” means any Equity Shares, or any rights, options, warrants, appreciation rights or instruments entitling the holder to receive any Equity Shares of the Company or any options to purchase or rights to subscribe for Securities by their terms convertible into, or exchangeable for, Equity Shares.

- IV) After the definition of “The Dividend”, the following definitions have been inserted:

“Encumbrance”

“Encumbrance” means any encumbrance or restriction on transferability including, without limitation, any claim, debenture, mortgage, pledge, charge, hypothecation, lien, deposit by way of security, option or right of pre-emption, beneficial ownership (including usufruct and similar entitlements), public right, common right, any provisional or executorial attachment and any other interest held by a third party and the term “Encumber” shall be construed accordingly.

“Equity Shares”

“Equity Shares” means the equity shares of the Company having a par/ nominal value of Re. 1 each.

“Existing FCCBs”

“Existing FCCBs” means the US\$ 33,000,000 (United States Dollars Thirty Three Million only) foreign currency convertible bonds issued under the offering circular dated April 20, 2006 and held by Bank of New York, as custodian.

“Fully Diluted Basis”

“Fully Diluted Basis” means the basis for computation of share capital whereby all classes and series of Equity Shares outstanding and all fully paid compulsorily convertible securities/ instruments exchangeable or exercisable into Equity Shares, are assumed to have been so converted, exercised or exchanged.

“Government Approvals”

“Government Approvals” means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, certificate, exemption, order, registration, declaration, filing, report or notice of, with or to any Government.

“Investor”

“Investor” means NSR Direct PE Mauritius, LLC.

“Investor Consent”

“Investor Consent” means the prior written consent of the Investor or consent of the Investor Director at the meeting of the Board or the consent of the Investor at the meeting of the shareholders on any of the Reserved Matters.

“Investor Director”

“Investor Director” has the meaning given to it in Article 129(1).

“Investor Shares”

“Investor Shares” means the Subscription Shares and any other Equity Shares or Securities convertible into, or exchangeable for, Equity Shares as may be subscribed to from time to time by the Investor or any of its Affiliates.

“Key Promoter”

“Key Promoter” means Mr. Sanjiv Goyal.

“Law”

“Law” includes all statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Government Authority and, if applicable, international (whether bilateral or multi-lateral) treaties, conventions and regulations having the force of law.

“Minimum Stake”

“Minimum Stake” means the shareholding of the Investor and its Affiliates, not less than percentage five (5%) of the paid-up equity share capital of the Company (calculated on a Fully Diluted Basis).

- V) After the definition of “month”, the following definition has been inserted:

“New GDRs”

“New GDRs” means the new global depository receipts of upto United State Dollar equivalent of

Rs.2,500,000,000 proposed to be issued by the Company”.

- VI) After the definition of “person”, the following definitions have been inserted:

“Promoters”

“Promoters” means Sanjiv Goyal, Raman Goyal, Aryan Goyal, Saurabh Goyal and Sanjiv (HUF).

“Reserved Matter”

“Reserved Matter” shall mean the matters stated in Article 82A.

- VII) After the definition of “seal”, the following definition has been inserted:

Securities”

“Securities” means and has the meaning given to such term in the Securities Contracts (Regulation) Act, 1956.

“Subscription Shares”

“Subscription Shares” shall mean the 26,000,000 Equity Shares of the Company subscribed to by the Investor under the Agreement.

“Subsidiary”

“Subsidiary” means and has the meaning given to such term in the Act and shall include any subsidiaries incorporated/ set up after the date of the Agreement. For the avoidance of any doubt, Subsidiary shall include any subsidiary incorporated outside India and shall include subsidiaries of such subsidiaries.

“Transfer”

“Transfer” means any transfer by way of sale, any disposal, any assignment and wherever the context may so permit, transfer by way of Encumbrance or lease.

“Undertaking”

“Undertaking” means the Undertaking dated 19 February 2010 from the Promoters to the Investor.

2. In Article 7

After the words 'subject to compliance with of the provisions of' and before the words 'the act' the words and figures ““Section 70” has been amended as “Section 79”.

3. In Article 8

After the words as Company in general meeting as aforesaid the provision of the Article 68 the word and figures “and 68A” has been inserted.

4. In Article 19

In clause (d) the word “every director” has been amended as “every Executive director”

5. The article 24 has been replaced with the following new article 24:

Director may extend the time

- 24 The Directors may from time to time, at their discretion extend the time for the payment of any call, and may extend such time as to payment of call from any of the members who reside at a distance or other cause, the Directors may be deemed entitled to grant such extension but no member shall be entitled to such extension save as a matter of grace and favour.

6. After the Article 44, the following new clause has been inserted:

Transfer of Shares by the Investor

- 44A (1) The Investor shall not sell the Investor Shares, together with their rights, to any Competitor. For this purpose, "Competitor" shall mean any company, Indian or overseas, which itself or along with one of its Affiliates derives (including, by way of consolidation of accounts), not less than percentage twenty (20%) of its revenues from generic pharmaceutical drug formulations and/or active pharmaceutical ingredient and/or phytochemicals (menthol) and as per the list set out in Schedule 10 of the Agreement.

Provided that nothing in this clause shall restrict any Transfer of shares by the Investor on any Exchange or in the event of the Investor exercising the tag along right in accordance with the Undertaking.

- (2) It is hereby clarified that the Investor shall have the right to transfer all the Investor Shares held by it to any Competitor of the Company, subject to the Investor procuring the prior written approval of the Company and the Promoters in that regard.
- (3) Subject to compliance with the provisions of sub-clause (1) above, the Investor shall be entitled to Transfer up to all its Investor Shares to any Person whether together with or without the rights and/or obligations of the Investor hereunder and under the Undertaking on signing the Deed of Adherence, provided, however, that the Transfer of rights shall not result in the multiplication of such rights.
- (4) Subject to provisions of sub-clause (3) above, the Investor shall be entitled in its absolute discretion to transfer any or all of the Investor Shares in the Company to or for the benefit of its Affiliates so long as such Affiliate is not a Competitor and subject to the Affiliate signing the Deed of Adherence.
- (5) Subject to the provisions of (1) and (3) above, the Investor shall have the right, at its discretion, to sell and assign similar rights, including the right to a Board representation, to another

investor or investors provided the incoming investor(s) shall hold a minimum shareholding of percentage ten (10%) of the entire issued share capital of the Company

Promoter Lock-In

- 44B (1) Except with the prior Investor Consent, Promoters shall not Transfer, during the duration of the Agreement or for two (2) years from the Completion Date, whichever is earlier, any shares, warrants or other Securities convertible into Equity Shares held by them in the Company in any manner whatsoever.
- (2) Further, during the duration of the Agreement or for two (2) years from the Completion Date, whichever is earlier, the Promoters shall not Encumber any shares of the Company held by them in the Company, except
- (i) for the purposes of raising funds in connection with the Business of the Company; or
- (ii) up to percentage twenty (20%) of the Promoters' then aggregate shareholding in the Company can be Encumbered for any other purposes, provided that they hold at least percentage thirty (30%) of the share capital of the Company which shall either be un-Encumbered or Encumbered in accordance with (i) above; or
- (iii) with the prior Investor Consent.

The restrictions contained in this Article 44B shall be referred to hereinafter as the "Promoter Lock in".

Promoter's share transfer subject to Investor's right to tag-along

- 44C (1) Nothing herein shall however restrict the Transfer inter se between the Promoters,
- provided that save and except change in shareholding upon conversion of New GDRs and Existing FCCBs, if any, the shareholding of the Key Promoter shall not reduce, for any reason whatsoever, below the proportion of the share capital of the Company held by him in the Company on the date of execution of the Agreement and the Undertaking, provided that the Key Promoter shall be entitled to Transfer his shares in the Company to his immediate family on the condition that (i) the transferee and the Key Promoter both jointly and severally assume all obligations of the "Key Promoter" referred to in the Undertaking and in the Agreement and (ii) the Key Promoter shall, irrespective of his shareholding in the Company be liable for the actions of the transferee;
- provided further that the promoter-transferee (including a Key Promoter transferee) (if not a

signatory to the Agreement) shall execute a Deed of Adherence agreeing to be bound by the terms of the Agreement.

- (2) Notwithstanding Articles 44B and 44C(1), if any Promoter ("Transferor") proposes to Transfer any Equity Shares, the Investor shall be entitled to participate on pro-rata basis in the proposed Transfer, provided however that the Investor shall be entitled to Transfer all the Investor Shares on a priority basis, in the event there is a change of control of the Company as a consequence of, or in connection with, any Transfer of Equity Shares by the Promoters or the Promoters' holding reduces below percentage twenty six (26%) of the then share capital of the Company calculated on a Fully Diluted Basis, in the following manner:
- (i) The Transferor shall first give a written notice ("Offer Notice") to the Investor ("Offeree"). The Offer Notice shall state (i) the number of Equity Shares proposed to be Transferred by the Transferor (the "Sale Shares") and the number and class of Equity Shares the Transferor owns at that time on Fully Diluted Basis, (ii) the name and address of the proposed transferee (if any), (iii) the proposed price, including the proposed amount and form of consideration and terms and conditions offered by such proposed transferee, (iv) the estimated date of consummation of the proposed Transfer, (v) a representation that the proposed transferee (if there be any such proposed transferee) has been informed of the "tag-along" rights provided for in these Articles and that the proposed transferee has agreed to purchase all the Equity Shares required to be purchased in accordance with the terms of this clause, and (vi) a representation that no consideration, tangible or intangible (whether as non-compete consideration or otherwise) is being provided to the Transferor that will not be reflected in the price paid to the Investor on exercise of his tag-along rights hereunder. In the event that the proposed consideration for the Transfer includes consideration other than cash, including, non-compete consideration, the Transfer Notice shall include a calculation of the fair market value of such consideration and an explanation of the basis for such calculation. The total value of the consideration for the proposed Transfer is referred to herein as the "Offer Price".
- (ii) The Investor shall be entitled to respond to the Offer Notice by serving a written notice (the "Response Notice") on the Transferor prior to the expiry of thirty (30) Business Days from the date of receipt of the Offer Notice ("Offer Period")

requiring the Transferor to ensure that the proposed transferee of the Sale Shares also purchases such number of the Equity Shares of the Investor, as mentioned in the Response Notice ("Offered Securities") at the same price and on the same terms as are mentioned in the Offer Notice, except that the Investor shall not be required to provide any representations or warranties to the proposed transferee other than with respect to their title to the Offered Securities and the Investor shall be entitled to receive the full consideration for such shares as received by the Promoters, including non-compete considerations (without having to provide any non-compete restriction) and the cash equivalent of any non-cash component of the Offer Price.

(iii) If:

- (a) The Promoters continue to remain in control and management of the Company after such Transfer, and the proposed transferee is unwilling or unable to acquire all of the Offered Securities mentioned in the Response Notice upon such terms, then the Promoters may elect either to cancel such proposed Transfer or to allocate the maximum number of Equity Shares of the Company which the proposed transferee is willing to purchase among the Sale Shares and the Offered Securities specified by the Investor Group in the Response Notice, pro-rata in the ratio of the equity shareholding in the Company at such time of the Promoters and the Investor Group, and to consummate such Transfer on such terms. The Promoters shall not be entitled to Transfer any of the Sale Shares to any proposed transferee unless the proposed transferee simultaneously purchases and pays for the required number of Offered Securities in accordance with the provisions of this Article; or
- (b) The Promoters cease to remain in control and management of the Company after such Transfer, the Promoters shall not be entitled to sell or Transfer any of the Sale Shares to any proposed transferee, unless the proposed transferee simultaneously purchases and pays for the Offered Securities for the same consideration and upon the same terms and conditions as applicable to the Sale Shares.
- (iv) The Transferor shall ensure that, along with the Sale Shares, the proposed transferee also acquires the Offered Securities specified in each Response Notice for the Offer Price and upon the same terms and conditions as applicable to the Sale Shares, provided that, the Investor may choose to receive the cash equivalent of any

such consideration which is in a form other than cash and the Investor shall not be required to provide any representations and warranties in respect of the Offered Securities other than with respect to their title to the Offered Securities. Where the Investor has properly elected to exercise its tag-along right and the proposed transferee fails to purchase from the Investor the Offered Securities which it is entitled to sell under this tag along provision, the Transferor shall not make the proposed Transfer of the Sale Shares, and if purported to be made, such Transfer shall be void and the Promoters shall procure and ensure that the Company does not register any such Transfer.

- (v) In the event Investor does not deliver a Response Notice to the Promoters prior to the expiry of the Offer Period, then, upon the expiry of the Offer Period, the Transferor shall be entitled to sell and transfer the Sale Shares to the proposed transferee mentioned in the Offer Notice on the same terms and conditions and for the same consideration as is specified in the Offer Notice. Any transferee purchasing the Sale Shares shall deliver to the Transferor on or before the date of consummation of the proposed Transfer specified in the Offer Notice payment in full of the Offer Price in respect of the Sale Shares in accordance with the terms set forth in the Offer Notice. If completion of the sale and Transfer to the proposed transferee does not take place within the period of sixty (60) days of the expiry of the Offer Period, the Transferor's right to sell the Sale Shares to such a party shall lapse and the provisions of this sub-clause (2) shall once again apply to the Sale Shares.

For the purposes of this Article, the term "control" shall mean:

- (p) the ability to appoint a majority of the Board;
- (q) being the single largest shareholder of the Company;
- (r) Equity Share holding being not less than percentage twenty six (26%) of the then issued and paid-up share capital of the Company;
- (s) the ability to control the composition or the decisions of the Board, or
- (t) the possession of power to direct or cause the direction of the management and policies of the Company by virtue of the articles of association or an agreement or contract or otherwise.

It is clarified that if any of the conditions above is not fulfilled, then the Promoters shall be deemed to have ceased to remain in control of the Company.

- (3) Where the Investor requires prior Government Approvals for disposal of the Offered Securities pursuant to 44C, then notwithstanding any other provision of these Articles, the Investor shall only be obliged to dispose of the Offered Securities once such Governmental Approval is obtained. Any period within which a transfer of the Offered Securities by the Investor has to be completed shall be extended by such further period as is necessary for the purpose of obtaining such Governmental Approval. Provided that if any of such Governmental Approval is finally withheld, then the Investor shall be deemed not to have offered to sell the Offered Securities.
- (4) The Transfer restrictions on the Promoters in the Undertaking, the Agreement and/or in these Articles shall not be capable of being avoided by the holding of Equity Shares indirectly through a company or other entity that can itself be sold in order to dispose of an interest in Equity Shares free of such restrictions. Any Transfer, issuance or other disposal of any shares (or other interest) resulting in any change in the control, directly or indirectly, of the Promoters, or of any Affiliate of any Promoter which holds, directly or indirectly, any Equity Shares, shall be treated as being a Transfer of the Equity Shares held by the Promoter, and the provisions of these Articles, the Undertaking and the Agreement that apply in respect of the Transfer of Equity Shares shall thereupon apply in respect of the Equity Shares so held.
- (5) Any Transfer or attempted Transfer of any Securities of the Company in violation of these Articles shall be void and the Company shall ensure that no such Transfer shall be recorded on the Company's books and the purported transferee in any such Transfer shall not be treated (and the purported transferor shall be treated) as the owner of such Securities for all purposes.
- (6) Subject to the terms of the Agreement, the Investor shall be entitled to deal with, dispose of, Transfer and/or Encumber all or any of their Equity Shares together with or without their rights and / or obligations hereunder, to any other Person. No restriction (including any restriction under Article 44A(3)) shall apply in respect of any sale of shares by the Investor pursuant to the tag along right at sub-clause (1) above.

Registration of Transfers

44D Notwithstanding anything contained in these Articles, any Transfer or attempt to Transfer any Equity Shares in violation of the Undertaking or the Agreement shall be null and void ab initio, and to the extent it is within the reasonable control of the Company, Company shall not register such Transfer and shall reject any such Transfers made or attempted, suo moto without

necessity of a Board decision to institute proceedings for this purpose if required by Law.

7. In Article 50
After the word 'delivered to the company' and before the word 'prescribed period' the word "within" has been inserted
8. In Article 62
After the word 'responsibilities whatsoever' and before the word 'consequence' the word "is" be replaced with the word "in"
9. After Article 68 the new clause 68A has been inserted as follows:-

Pre-Emptive Rights & Future Subscriptions by Investor

- 68A (1) Except with the Investor Consent and other applicable laws, Company shall not issue Equity Shares or equity-linked securities of any kind (including, but not limited to, convertible notes, preference shares, warrants, options), save and except issue of Equity Shares on exercise of New GDRs and the conversion of the Existing FCCBs, for a period of one (1) year from the Completion Date at a price lower than Rs.35 per Equity Share/ equity-linked security. Without prejudice to the foregoing, in the event that the Company issues any Dilution Instrument at any time after complying with its obligation of securing the Investor's consent, then, the Investor shall be entitled to subscribe to such number of Dilution Instruments in proportion to its equity shareholding in the Company and shall also be entitled to subscribe to its pro rata number (calculated on the same basis after giving effect to the Investor's' subscription pursuant to this sub-clause (1), but not including the numbers of Equity Shares held by other shareholders not subscribing in such issuance) of any equity securities not subscribed for by the other shareholders.
- (2) The Investor shall be entitled to acquire the Dilution Instruments on the terms on which the Company proposes to issue the Dilution Instruments to any other person. Notwithstanding anything contrary contained in these Articles, the Company shall not issue any Dilution Instrument in contravention of the provisions of sub-clause (1) above.
 - (3) In the event that the Investor subscribes to any Equity Shares or any Securities convertible into Equity Shares, then all such newly subscribed Equity Shares or convertible instruments will also be considered "Investor Shares" and shall be entitled to all the rights as enjoyed by Investor under the Agreement, the Undertaking and these Articles. Further, in the event the Investor



at any time wishes to convert or exercise any of the convertible Securities held by it, into Equity Shares, the Company shall, and shall procure that the Promoters shall, promptly and diligently take all necessary steps to facilitate such conversion by the Investor and ensure that such conversion by the Investor is in compliance with all applicable Laws, including without limitation, the FDI Policy of India and the regulations issued by the RBI under the Foreign Exchange Management Act, 1999.

9A. After Article 70 the new clause 70A has been inserted as follows:-

Buy Back of shares

70A Pursuant to section 77A and other applicable provisions of the Act and rules or regulation or guidelines as may be prescribed by Securities and Exchange Board of India, the company shall have power to purchase from time to time its own shares or other specified securities and to make payment in respect of such purchase(s)."

10. In Article 72

the paragraph Numbering a, b and c has been amended with 1,2 and 3 respectively.

11. In Article 73

the new sub-clause (2) has been inserted as follows:

Subscription Shares to be pari passu with other equity shares of the Company

(2) The Subscription Shares shall rank pari passu with the other Equity Shares of the Company in all respects, including without limitation, with respect to entitlement to dividend and voting rights.

12. After clause 73, the existing clause 73A has been re-numbered as 73B and the following new clause 73A has been inserted:

Investor not a promoter

73A. The Company acknowledges that on Completion the Investor will only be a minority financial investor and not acquire control and management of the Company. The Promoters shall continue to remain in control of the Company and continue to manage the Company and its business and affairs. The Company will ensure that: (i) the Investor shall not be considered/ classified/ named or deemed as a 'promoter' of the Company for any reason whatsoever (unless required by applicable Law) in the prospectus or any other documents related to a public offering or otherwise and (ii) the Investor Shares are not be subject to any restriction whatsoever (including that of lock-in or other restrictions) which are applicable to promoters under any applicable Law, unless such restriction is required by applicable Law to be placed specifically on the Investor. If applicable Law does not permit the

abovementioned actions, the Parties shall exercise all their rights and take all actions to endeavour to achieve the objectives of this Article 73A in accordance with applicable Law.

13. After clause Article 82, the new Clause 82A has been inserted as follows:-

Reserved Matters at Board meeting and General meetings

82A The Company agrees that, so long as the Investor holds Minimum Stake, no action or decision relating to any of the Reserved Matters shall be taken (whether by the Board, any committee, the shareholders of the Company (or through any of the employees, officers or managers of the Company), except with the Investor Consent. The Reserved Matters are as follows:

1. Acquisition of shares, assets, business, business organization or division of any other person, creation of legal entities, joint ventures or partnerships, mergers, de-mergers, spin-offs and consolidations, creation of any new Subsidiaries of a value exceeding percentage twenty (20%) of the net worth of the Company as reflected in the latest audited or limited review balance sheet of the Company;
2. Providing guarantees or making any loans other than in the ordinary course of Business exceeding percentage five (5%) of the net worth of the Company as reflected in the latest audited or limited review balance sheet of the Company;
3. Any changes in class rights for shares (directly or indirectly);
4. Commencement of any new line of business which is unrelated to the business of the Company, any changes in the scope of business, suspension or cessation of business or transfer of all or a portion of business;
5. Making of any investment (other than short-term deposits with banking institutions) of amounts exceeding Rs.100,000,000 (Rupees one hundred million only);
6. Any change in the issued, subscribed or paid up equity or preference share capital of the Company or Reorganisation of the share capital of the Company, including new issuance of shares or stock options or other securities of the Company or redemption, retirement or repurchase of any shares or other securities, issuance of convertible debentures or warrants, or grant of any options over its shares by the Company;
7. Other than the winding up of the Subsidiary in Sri Lanka, sale, transfer, winding up, divestiture, dissolution, liquidation or other disposition of, the Company or any of its Subsidiaries, whether or not voluntary, or any restructuring or reorganization