

External Commercial Borrowings

In December 2018, RBI notified the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 ("New ECB Regulations") superseding the earlier framework that applied to External Commercial Borrowings ("ECB"). The objective behind the New ECB Regulations was to a) simplify existing ECB framework and thereby making it easier for borrowers to access foreign debt funding, and b) merge the two existing regulations, i.e., Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 and Foreign Exchange Management (Borrowing or Lending in Rupees) Regulations, 2000, under one unified framework.

Per the provisions of the RBI's Master Direction on External Commercial Borrowings (ECBs), ECB proceeds were not permitted to be utilized towards certain end-uses (also referred to as the "Negative List"). Based on feedback from stakeholders and with a view to further liberalize the ECB framework, the RBI has, by its circular dated July 30, 2019, permitted borrowers to raise ECBs towards the following end-uses from recognized lenders, except foreign branches/overseas subsidiaries of Indian banks and subject to the overall limit and leverage as prescribed:

- a) ECBs with a minimum average maturity period of 10 years for working capital purposes and general corporate purposes. Borrowing by NBFCs for such maturity for on-lending for the above purposes is also permitted.
- b) ECBs with a minimum average maturity period of seven years can be availed by eligible borrowers for repayment of Rupee-denominated loans availed domestically for capital expenditure, as well as by NBFCs for on-lending for the same purpose. For repayment of Rupee-denominated loans availed domestically for purposes other than capital expenditure, or for on-lending by NBFCs for the same, the minimum average maturity period of the ECB is required to be 10 years.
- c) Eligible corporate borrowers can avail ECB for repayment of Rupee-denominated loans availed domestically for capital expenditure in manufacturing and infrastructure sector if classified as NPA, under any one-time settlement with lenders. Lender banks are also permitted to sell, through assignment, such loans to eligible ECB lenders, except foreign branches/overseas subsidiaries of Indian banks, provided that the resultant ECB complies with the all-in-cost, minimum average maturity period and other relevant norms of the ECB framework.

Relaxation in time period for realization of export proceeds

Pursuant to current RBI regulations on export of goods and services, the time period allowed for realization of export proceeds is nine months from the date of export. Due to the conditions resulting from COVID-19, the RBI has, vide its circular dated April 1, 2020, extended the time period for realization and repatriation of export proceeds for exports made up to or on July 31, 2020 to 15 months from the date of export. This measure by the RBI is intended to enable exporters to realize their receipts, especially from COVID-19 affected countries, within the extended period and to provide greater flexibility to the exporters to negotiate future export contracts with buyers abroad.

Taxation

The following summary is based on the law and practice of the Indian Income Tax Act, 1961, including the special tax regime contained in Sections 115AC and 115ACA of the Income Tax Act, 1961 read with the 2014 Scheme. The Income Tax Act, 1961 is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Sections 115AC and 115ACA may be amended or changed by future amendments to the Income Tax Act.

We believe this information is materially complete as of the date hereof, however, this summary is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders or employees under Indian law for the acquisition, ownership and sale of ADSs and equity shares.

Residence. For purposes of the Income Tax Act, an individual is considered to be a resident of India during any fiscal year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more and, within the four preceding years has been in India for a period or periods amounting to 365 days or more.
- Per the Finance Act, 2020, an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India subject to fulfillment of certain conditions. This amendment will take effect from April 1, 2021.

The period of 60 days referred to above shall be read as 182 days (i) in case of a citizen of India who leaves India in a fiscal year for the purposes of employment outside of India or (ii) in case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or more. Pursuant to the Finance Act, 2020, an amendment is enacted in clause (b) of Explanation 1 of Subsection (1) to Section 6 whereby, for a citizen of India or a person of Indian origin visiting India, the period of 60 days or more is extended to 120 days or more, subject to fulfillment of certain conditions.

A company is a resident of India if it is incorporated in India or its place of effective management is in India during the year.

Taxation of Distributions. As per Section 10(34) of the Income Tax Act, dividends paid by Indian companies on or after April 1, 2003 to their shareholders (whether resident in India or not) are not subject to tax in the hands of shareholders. However, the company paying the dividend is currently subject to a dividend distribution tax (“DDT”) of 15% on the total amount it distributes, declares or pays as a dividend, in addition to the normal corporate tax. Effective October 1, 2014, for the purposes of determining the tax on distributed profits, DDT is calculated on gross distributable surplus, thus the effective rate of DDT is 17.647% on the amount actually distributed as dividends to shareholders. The surcharge on DDT for domestic companies is 12% in addition to an additional surcharge called a “Health and Education Cess” of 4% on such taxes and surcharge, based on which the effective tax on dividend distributed up to March 31, 2020 is 20.56%. Currently, a holding company is not required to pay DDT on its dividend distributed (in the same fiscal year) to the extent the DDT has already been paid by its subsidiary (both domestic and foreign). There is an additional tax at the rate of 10% in the hands of a non-corporate resident assessee having a dividend income in excess of 1 million per annum. The Finance Act, 2017 extended this additional tax of 10% to all resident assessees except domestic companies, and 12AA of the Finance Act, 2017 exempts trusts and certain other institutions.

DDT has been abolished by Finance Act, 2020, effective beginning the financial year commencing on April 1, 2020. This will have the effect of reducing the tax burden on the company and the burden of tax payment will shift to the shareholder at the shareholder’s applicable rate of tax.

Any distributions of additional ADSs or equity shares to resident or non- resident holders will not be subject to tax under the Income Tax Act.

Taxation of Capital Gains. The following is a brief summary of capital gains taxation of non-resident and resident holders in respect of the sale of ADSs and equity shares received upon redemption of ADSs. The relevant provisions are contained mainly in Sections 45, 47(vii)(a), 115AC and 115ACA, of the Income Tax Act, 1961, in conjunction with the 2014 Scheme. Gains realized upon the sale of ADSs and listed shares that have been held for a period of more than twenty-four months and twelve months, respectively, are considered long-term capital gains. Gains realized upon the sale of ADSs and shares that have been held for a period of twenty-four months or less and twelve months or less, respectively, are considered short term capital gains. Capital gains are taxed as follows:

- Gains from a sale of ADSs outside India, by a non-resident to another non-resident are not taxable in India.
- Long-term capital gains realized by a resident holder from the transfer of the ADSs will be subject to tax at the rate of 10%. Short-term capital gains on such a transfer u/s 115AD of the Income Tax Act, 1961 will be taxed at graduated rates with a maximum of 30%.
- Long-term capital gains realized by a non-resident upon the sale of equity shares obtained through the redemption of ADSs, or settlement of such sale being made off a recognized stock exchange, are subject to tax at a rate of 10% u/s 115AD of the Income Tax Act, 1961.
- Long-term capital gains realized by a non-resident upon the sale of equity shares obtained through the redemption of ADSs, or settlement of such sale being made on a recognized stock exchange, is exempt from tax for sale executed before March 31, 2018 and the short-term capital gains on such sale will be taxed at 15%. An additional tax called “Securities Transaction Tax”, or “STT” (described in detail below) will be levied at the time of settlement. Finance Act 2018 has introduced a new section “112A” effective April 01, 2018 - Long-term capital gains on such sale executed from April 1, 2018 will be taxable, subject to a threshold exemption of Rs. 100,000. However, the cost of acquisition would be taken as higher of actual cost and prevailing price as of January 31, 2018 (prevailing price would be restricted to the actual sale price if lower than the prevailing price as of January 31, 2018).
- The Finance Act, 2015 amended the law to compute the holding period of capital asset being share or shares of a company, acquired by a non-resident on redemption of GDR, from the date on which a request for redemption was made.

- In addition to the above, a surcharge as set forth below and an additional surcharge called “Health and Education Cess” of 4% (effective financial year commencing April 1, 2018) is levied as follows:

Category of person	Net Income Range	Surcharge rate for FY 2018-19	Surcharge rate for FY 2019-20
Individual/HUF/AOP/BOI/artificial	0-5 million		
Juridical Person	5 million - 10 million		
	10 million - 20 million	Nil	Nil
	20 million - 50 million	10%	10%
	Above 50 million	15%	15%
	Above 100 million	15%	25%
	50 million	15%	37%
Firms/Co-operative Society/Local Authority	0-10 million		
	Above 10 million	Nil	Nil
	10 million	12%	12%
Domestic Company	0 - 10 million		
	10 million - 100 million	Nil	Nil
	Above 100 million	7%	7%
	100 million	12%	12%
Foreign Company	0 - 10 million		
	10 million - 100 million	Nil	Nil
	Above 100 million	2%	2%
	100 million	5%	5%

The above rates may be reduced by the applicable tax treaty in case of non-residents. The capital gains tax is computed by applying the appropriate tax rates to the difference between the sale price and the purchase price of the equity shares or ADSs. In the case of employees who receive shares allotted as part of a company's stock option plan, the purchase price shall be the fair market value which has been taken into account for the purpose of computing the perquisite on salaries. In 1992, the government allowed established Indian companies to issue FCCB. Effective April 2008, the conversion of FCCBs into shares or debentures of any company shall not be treated as a 'transfer' and consequently will not be subject to capital gains tax upon conversion. Further, the cost of acquisition of the shares received upon conversion of the bond shall be the price at which the corresponding bond was acquired.

The value of shares/securities allotted under any Employees Stock Option Plan is treated as a perquisite in the hands of employees and will be taxed accordingly. The tax rate will vary from employee to employee with a maximum of 42.74% (subject to the prevailing tax rate slab) on the perquisite value. The perquisite value is calculated as the difference between the fair market value of the share / security on the date of exercise minus the exercise price.

According to the 2014 Scheme, a non-resident holder's holding period for the purposes of determining the applicable Indian capital gains tax rate in respect of equity shares received in exchange for ADSs commences on the date of notice of the redemption by the depositary to the custodian. For purposes of determining the holding period for a resident employee, the holding period starts from the date of allotment of such assets. Capital gains derived from the sale of subscription rights or other rights by a non-resident holder not entitled to an exemption under a tax treaty will be subject to Indian capital gains tax as per the domestic income tax law. If such subscription rights or other rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such subscription rights or other rights will be subject to Indian taxation. The capital gains realized on the sale of such subscription rights or other rights, which will generally be in the nature of short term capital gains, will be subject to tax at variable rates with a maximum rate of 49% in the case of foreign companies and at graduated rate with a maximum of 30%, in the case of resident employees and non-resident individuals. In addition to this, there will be a surcharge levied and an additional surcharge called “Health and Education Cess” of 4% in addition to the above tax and surcharge will be levied (Refer to table above for surcharge rates).

As per Section 55(2) of the Income Tax Act, the cost of any share (commonly called a “bonus share”) allotted to any shareholder without any payment and on the basis of such shareholder's share holdings, shall be nil. The holding period of bonus shares for the purpose of determining the nature of capital gains shall commence on the date of allotment of such shares by the company.

Securities Transaction Tax: In respect of a sale and purchase of equity shares entered into on a recognized stock exchange, (i) both the buyer and seller are required to each pay a Securities Transaction Tax (“STT”), at the prescribed rates on the transaction value of the securities, if a transaction is a delivery based transaction (i.e. the transaction involves actual delivery or transfer of shares); and (ii) the seller of the shares is required to

pay a STT at the prescribed rates on the transaction value of the securities, if the transaction is a non-delivery based transaction, i.e., a transaction settled without taking delivery of the shares. The STT rates are as follows:

Taxable securities transaction	Rate	Payable by
Purchase of an equity share in a company where—	0.1%	Purchaser
(a) the transaction of such purchase is entered into in a recognized stock exchange; and		
(b) the contract for the purchase of such share is settled by the actual delivery or transfer of such share.		
Sale of an equity share in a company where—	0.1%	Seller
(a) the transaction of such sale is entered into in recognized stock exchange; and		
(b) the contract for the sale of such share is settled by the actual delivery or transfer of such share.		
Sale of a unit of an equity-oriented fund, where—	0.001%	Seller
(a) the transaction of such sale is entered into in a recognized stock exchange; and		
(b) the contract for the sale of such unit is settled by the actual delivery or transfer of such unit.		
Sale of an equity share in a company or a unit of an equity-oriented fund, where—	0.025%	Seller
(a) the transaction of such sale is entered into in a recognized stock exchange; and		
(b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit.		
(a) Sale of an option in securities	0.017%	Seller
(b) Sale of an option in securities, where option is exercised	0.125%	Purchaser
(c) Sale of a futures in securities	0.01%	Seller
Sale of a unit of an equity-oriented fund to the Mutual Fund.	0.001%	Seller

Goods and Service Tax: Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares is subject to levy of the Goods and Services Tax at an effective rate of 18%.

Withholding Tax on Capital Gains. Any gain realized by a non-resident or resident employee on the sale of equity shares is subject to Indian capital gains tax, which, in the case of a non-resident is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income Tax Act, no withholding tax is required to be deducted by way of capital gains arising to Foreign Institutional Investors as defined in Section 115AD of the Income Tax Act on the transfer of securities defined in Section 115AD of the Income Tax Act.

Buyback of Securities. Finance (No. 2) Act, 2019 extended the provisions of Section 115QA of the Income Tax Act, 1961 for buyback of shares, which were initially applicable only to unlisted companies, to the buyback of shares by listed companies. Previously, Indian companies were not subject to any tax on the buyback of their shares if the shares were listed on a recognized stock exchange and the buyback transaction was executed on a recognized stock exchange. However, the shareholders were liable to be taxed on any resulting gains. Companies were required to deduct the tax at source according to the capital gains tax liability of a non-resident shareholder. The Finance Act, 2013 levied a tax of 20% against the company for consideration paid to shareholders (in excess of the initial subscription amount) towards buyback of shares by an unlisted company under 115QA of the Income Tax Act, 1961. Now, pursuant to Finance (No. 2) Act, a company shall be liable for additional income tax on the distributed income for every buyback of shares, which will result in additional cash outflow. Currently the rate of tax on buyback of shares is 20% (plus surcharge and cess). Finance (No. 2) Act has been provided that these changes shall not apply to any buyback of shares listed on a recognized stock exchange for which a public announcement was made on or before the July 5, 2019 in accordance with the provisions of the 2018 Buy-back Regulations.

Stamp Duty and Transfer Tax. Upon issuance of the equity shares underlying our ADSs, companies will be required to pay a stamp duty of 0.1% per share of the issue price of the underlying equity shares. A transfer of ADSs is not subject to Indian stamp duty. However, upon the acquisition of equity shares from the depositary in exchange for ADSs, the non-resident holder will be liable for Indian stamp duty at the rate of 0.25% of the market value of the ADSs or equity shares exchanged. A sale of equity shares by a non-resident holder will also be subject to Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date, although customarily such tax is borne by the transferee. Shares must be traded in dematerialized form. The transfer of shares in dematerialized form is currently not subject to stamp duty.

Gift Tax and Estate Duty. The Finance Act, 2017 has inserted a new Section 56 (2)(x) with effect from April 1, 2017 to tax the receipt of any sum of money or any immovable property, by any person either without consideration or for an inadequate consideration for value exceeding 50,000 (Stamp duty value in case of immovable property) during the year. The same is exempt from tax if it is received from any relative, occasion of marriage, under a will or by way of inheritance, or in contemplation of death of the payer or donor. We cannot assure that these provisions will not be amended further in future. Non-resident holders are advised to consult their own tax advisors regarding this issue.

General Anti Avoidance Rule (“GAAR”): The provisions of GAAR was included as part of Income Tax Act, 1961 under Chapter X-A consisting of Sections 95 to 102, on April 1, 2014 and came into effect April 1, 2017. If any transaction is arranged to obtain a tax benefit and it falls under the certain conditions as specified in the GAAR provisions, the transaction shall be treated as an impermissible avoidance arrangement or an arrangement with lack of commercial substance. The tax authorities, after a hearing of the tax payer and after obtaining due approvals from a higher authority, can deny the tax benefit or a benefit under a tax treaty, in such manner as is deemed appropriate. Certain powers granted to tax authorities under the GAAR provisions are as under:

- a) disregarding, combining or recharacterizing any step in, or a part or whole of an arrangement;
- b) treating an arrangement as if it had not been entered into or carried out;
- c) any equity may be treated as debt or vice versa,
- d) any accrual, or receipt of capital nature may be treated as revenue nature or vice versa,
- e) any expenditure, deduction, relief or rebate may be re-characterized.

Minimum Alternative Tax (“MAT”): The Income Tax Act, 1961 introduced the provisions of MAT with effect from April 1, 2001, which require corporate assesseees to pay minimum tax on book profit if it is higher than the tax computed based on regular provisions of the Income Tax Act, 1961. MAT is computed with certain minimal adjustment to book profit, in the form of exempt income, and provision towards any diminution in the value of assets and appropriations, among other things. From April 2005 until March 2012, any income arising out of any business carried on in a Special Economic Zone as a developer or unit was not subject to MAT. From April 1, 2012 onwards, even income arising out of any business carried on in a Special Economic Zone as a developer or unit is subject to MAT. Where any tax is paid under MAT, such tax will be eligible for adjustment against regular income tax liability computed under the Act, for the following ten years as MAT credit. The Finance Act, 2017 increased the period for carry forward of MAT credit to 15 years from 10 years. In the financial year ended March 31, 2020, the GoI amended the Income Tax Act, 1961 vide The Taxation Laws (Amendment) Act, 2019, providing an option to pay a lower rate of tax of 22% (plus surcharge and cess) by foregoing all the deductions available under Chapter VI-A and other profit-linked deductions as prescribed in the Income Tax Act, 1961. This option, once exercised, is irrevocable and the corresponding MAT credit available will be lapsed. In the future, if a company opts for this lower rate of tax, this may lead to increase in tax outflow and the MAT credit available to the company will be lapsed. Further, the rate of tax under MAT provisions has been reduced to 17.47% from 21.54%.

Income computation and disclosure standards (“ICDS”): Central Board of Direct Taxes (“CBDT”) notified ten ICDS applicable from FY 2015-16. These standards are to be adopted for computation of taxable income from business or profession or income from other sources under Income Tax Act, 1961. These ICDS do not have any significant impact on the tax expense reported in the consolidated financial statements.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO INDIAN AND THEIR LOCAL TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSS.

Material United States Federal Income Tax Consequences

The following is a summary of the material U.S. federal income tax consequences that may be relevant with respect to the ownership and disposition of equity shares or ADSs and is for general information only. This summary addresses the U.S. federal income tax considerations of U.S. holders. For purposes of this discussion, “U.S. holders” are (a) individuals who are citizens or residents of the United States, (b) corporations (or other entities treated as corporations for U.S. federal income tax purposes) created in or under the laws of the United States or any political subdivision thereof or therein, (c) estates, the income of which is includable in gross income for U.S. federal income tax purposes, regardless of its source and (d) trusts having a valid election to be treated as “United States persons” (within the meaning of Section 7701(a)(39) of U.S. Internal Revenue Code of 1986, as amended (the “Code”)) in effect under U.S. Treasury Regulations or the administration of which a U.S. court exercises primary supervision and with respect to which a United States person has the authority to control all substantial decisions.

This summary is limited to U.S. holders who hold or will hold equity shares or ADSs as capital assets. In addition, this summary is limited to U.S. holders who are not residents in India for purposes of the Convention between the Government of the United States of America and the GoI for the avoidance of Double Taxation and the prevention of Fiscal Evasion (the “**Convention**”) with respect to taxes on income. If a partnership holds the equity shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding equity shares or ADSs should consult its own tax advisor.

This summary does not address any tax considerations arising under the laws of any U.S. state or local or foreign jurisdiction, or tax considerations under any U.S. non-income tax laws. In addition, this summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, regulated investment companies, real estate investment trusts, financial institutions, dealers in securities or currencies, tax-exempt entities, persons liable for alternative minimum tax, persons that will hold equity shares or ADSs as a position in a “straddle” or as part of a “hedging” or “conversion” transaction for tax purposes, persons holding ADSs or equity shares through partnerships or other pass-through entities, persons that have a “functional currency” other than the U.S. dollar or holders of 10% or more, by voting power or value, of the shares of our company. This summary is based on the Code, U.S. Treasury Regulations in effect or, in some cases, proposed, as of the date of this document, as well as judicial and administrative interpretations thereof available on or before such date and is based in part on the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing is subject to change, which could apply retroactively and could affect the tax consequences described below.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs.

Ownership of ADSs. For U.S. federal income tax purposes, holders of ADSs generally will be treated as the owners of equity shares represented by such ADSs. Accordingly, the conversion of ADSs into equity shares generally will not be subject to United States federal income tax.

Dividends. The gross amount of any distributions of cash or property (other than, generally, distributions of our equity shares) with respect to equity shares or ADSs will generally be included in income by a U.S. holder as foreign source dividend income at the time of receipt, which in the case of a U.S. holder of ADSs generally should be the date of receipt by the depository, to the extent such distributions are made from the current or accumulated earnings and profits (as determined under U.S. federal income tax principles) of our company. Such dividends will not be eligible for the dividends received deduction (“**DRD**”) generally allowed to corporate U.S. holders, other than certain corporate U.S. holders who own 10% or more of us. 10% corporate U.S. holders should consult their tax advisors regarding any DRD to which they are entitled. To the extent, if any, that the amount of any distribution by our company exceeds our company’s current or accumulated earnings and profits as determined under U.S. federal income tax principles, such excess will be treated first as a tax-free return of capital to the extent of the U.S. holder’s tax basis in the equity shares or ADSs and thereafter as capital gain. However, because we do not intend to determine our earnings and profits under U.S. federal income tax principles, any distribution will generally be treated as a dividend for U.S. federal income tax purposes.

Subject to certain conditions and limitations, including the passive foreign investment company rules described below, dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a “qualified foreign corporation” for U.S. federal income tax purposes.

A qualified foreign corporation generally includes a foreign corporation (1) with respect to any dividend it pays on its shares (or ADSs in respect of such shares) that are readily tradable on an established securities market in the United States, or (2) it is eligible for the benefits under a comprehensive income tax treaty with the United States which the U.S. Treasury Secretary determines is satisfactory and which includes an exchange of information program. In addition, a corporation is not a qualified foreign corporation if it is a passive foreign investment company (as discussed below) for the taxable year in which the dividend is paid or the preceding taxable year. Our ADSs are traded on the NYSE, an established securities market in the United States as identified by Internal Revenue Service guidance. We may also be eligible for benefits under the Convention.

EACH U.S. HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TREATMENT OF DIVIDENDS AND SUCH HOLDER’S ELIGIBILITY FOR REDUCED RATE OF TAXATION UNDER THE LAW IN EFFECT FOR THE YEAR OF THE DIVIDEND.

Subject to certain conditions and limitations, Indian dividend withholding tax, if any, imposed upon distributions paid to a U.S. holder with respect to such holder’s equity shares or ADSs generally should be eligible for credit against the U.S. holder’s U.S. federal income tax liability. Alternatively, a U.S. holder may claim a deduction for such amount, but only for a year in which a U.S. holder does not claim a credit with respect to any foreign income taxes. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of

income. For this purpose, distributions on equity shares or ADSs will be income from sources outside the United States and will generally be “passive category income” for purposes of computing the United States foreign tax credit allowable to a U.S. holder. No foreign tax credit or deduction is allowed for taxes paid or accrued with respect to a dividend that qualifies for the DRD. If dividends are paid in Indian rupees, the amount of the dividend distribution included in the income of a U.S. holder will be in the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is included in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss, if any, resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as U.S. source ordinary income or loss.

Sale or Exchange of Equity Shares or ADSs. A U.S. holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the amount realized on such sale or exchange and the U.S. holder’s adjusted tax basis in the equity shares or ADSs, as the case may be. Subject to the “Passive Foreign Investment Company” discussion below, such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs, as the case may be, were held for more than one year. Gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source passive category income or loss for U.S. foreign tax credit purposes. Capital gains realized by a U.S. holder upon sale of equity shares (but not ADSs) may be subject to tax in India, including withholding tax. See the “Taxation of Distributions” and “Taxation of Capital Gains” discussion above. Due to limitations on foreign tax credits, however, a U.S. holder may not be able to utilize any such taxes as a credit against the U.S. holder’s federal income tax liability.

Backup Withholding Tax and Information Reporting. Any dividends paid, or proceeds on a sale of, equity shares or ADSs to or by a U.S. holder may be subject to U.S. information reporting, and backup withholding, currently at a rate of 24%, may apply unless the holder is an exempt recipient or provides such holder’s correct U.S. taxpayer identification number, certifies that such holder is not subject to backup withholding and otherwise complies with any applicable backup withholding requirements. Any amount withheld under the backup withholding rules may be allowed as a refund or credit against the holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Estate taxes. An individual U.S. holder will have the value of the equity shares or ADSs held by such holder included in his or her gross estate for U.S. federal estate tax purposes. An individual holder who actually pays Indian estate tax with respect to the equity shares may, however, be entitled to credit the amount of such tax against his or her U.S. federal estate tax liability, subject to a number of conditions and limitations.

Additional Tax on Net Investment Income. U.S. holders that are individuals, estates or trusts and whose income exceeds certain thresholds are subject to a 3.8% tax on certain net investment income, including, among other things, dividends on, and capital gains from the sale or other taxable disposition of, equity shares or ADSs, subject to certain limitations and exceptions.

Passive Foreign Investment Company. A non-U.S. corporation will be classified as a passive foreign investment company for any taxable year for U.S. federal income tax purposes if either:

- 75% or more of its gross income for the taxable year is passive income; or
- on average for the taxable year by value, or, if it is not a publicly traded corporation and so elects or is a controlled foreign corporation, by adjusted basis, if 50% or more of its assets produce or are held for the production of passive income.

We do not believe that we satisfy either of the tests for passive foreign investment company status for the taxable year ended March 31, 2020. However, because this determination is made on an annual basis and depends on a variety of factors (including the value of our ADSs), no assurance can be given that we were not considered a passive foreign investment company in a prior taxable year, or that we will not be considered a passive foreign investment company for the current taxable year and/or future taxable years. If we were to be a passive foreign investment company for any taxable year, U.S. holders would be required to either:

- pay an interest charge together with tax calculated at ordinary income rates on “excess distributions,” as the term is defined in relevant provisions of U.S. tax laws, and on any gain on a sale or other disposition of ADSs or equity shares;
- if an election is made for us to be a “qualified electing fund” (as the term is defined in relevant provisions of the U.S. tax laws), include in their taxable income their pro rata share of undistributed amounts of our income; or
- if the equity shares are “marketable” and a mark-to-market election is made, mark-to-market the equity shares each taxable year and recognize ordinary gain and, to the extent of prior ordinary gain, ordinary loss for the increase or decrease in market value for such taxable year.