The SEBI Circular has notified a detailed framework for issuance of DRs by a listed Indian company. The new framework which has come into force on October 10, 2019, sets out eligibility requirements as well as certain obligations to be complied with by issuers of DRs. Further, the Depository Receipts (Amendment) Scheme, 2019 (the "DR Circular") has also been notified on October 7, 2019 which amends the definition of "permissible jurisdiction", *inter alia*, to include the International Financial Services Centre in India. A "permissible jurisdiction" for the purpose of the SEBI Circular means jurisdictions as may be notified by the central government from time to time, pursuant to notification no. G.S.R. 669(E) dated September 18, 2019 in respect of sub-rule 1 of rule 9 of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. A list of "permissible jurisdictions" has been subsequently notified by the Central Government through a notification dated November 28, 2019. Accordingly, SEBI through its circular dated November 28, 2019 notified the list of 'permissible jurisdictions' pursuant to the SEBI Circular.

Previously, under the DR Scheme, Companies were only required to comply with eligibility requirements pertaining to prohibition from accessing capital markets or dealing in securities. However, the current framework prescribes certain additional requirements, including not being declared as a willful defaulter or a fugitive economic offender.

In addition to the requirements under the Companies Act, 2013 and the DR Scheme, the current framework under the DR Circular sets out certain additional requirements for issuance of DRs. A permissible holder, i.e. a holder of DRs, now excludes an Indian and a non-resident Indian, which is beyond the requirements of the DR Scheme.

An Indian company may issue securities to a foreign depository for the purpose of issuing depository receipts through any mode permissible for the issue of such securities to other investors. The foreign depository may issue depository receipts by way of a public offering or private placement or in any other manner prevalent in the permissible jurisdiction.

Under the DR Scheme, securities may be issued through the depository receipt mechanism up to a limit that the aggregate underlying securities issued to foreign depositories for issuance of depository receipts along with securities already held by persons resident outside India does not exceed the applicable foreign investment limit prescribed by regulations under the FEMA. The DRs and the underlying securities may be converted into each other subject to the applicable foreign investment limit. For our Company, there is no investment limit.

Under the 1993 Scheme, the pricing of deposit receipts for listed companies could not have been less than the average of the weekly high and low closing prices of the related shares quoted on the relevant stock exchange during the two weeks preceding the relevant date. However, the DR Scheme provides that underlying securities shall not be issued to a foreign depository for issuance of DRs at a price which is less than the price applicable to a corresponding mode of issuance to domestic investors.

A listed company issuing DRs is also now required to file with the Indian stock exchanges, any public disclosure made to the international stock exchange within 24 hours from the date of filing. The issuer would also be required to file the offer document for an initial issue of DRs with SEBI and the stock exchanges to seek their comments, if any.

A listed company issuing DRs is also required to ensure compliance with extant laws including compliance with the minimum public shareholding requirements and limits on foreign investment holding under the FEMA. As regards pricing, the current framework provides that the pricing of DR issuances would have to be undertaken at a minimum price equivalent to the price determined for corresponding mode of issue to domestic investors.

In terms of the DR Scheme, while the exercise of voting rights on the shares underlying the DRs could be dealt with contractually under the deposit agreement, if such voting rights were not exercisable by the DR holders, the shares would not be counted towards minimum public shareholding requirements. Further, voting rights on the underlying shares are mandatorily required to be exercised only by DR holders.

E. Taxation

EACH INVESTOR OR PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISORS WITH RESPECT TO INDIAN AND LOCAL TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs.

This section describes the material U.S. federal income tax consequences to "U.S. holders" (as defined below) and the Indian stamp duty and income and goods and service tax consequences to "non-residents" (as defined below) of owning Shares or ADSs. This discussion does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. It applies to you only if you hold your Shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- A dealer in securities;

- A trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- A tax-exempt organization;
- A life insurance company;
- A person that actually or constructively owns 10% or more of the combined voting power of the Company's voting stock or of the total value of the Company's stock;
- A person that holds Shares or ADSs as part of a straddle or a hedging or conversion transaction;
- A person that purchases or sells Shares or ADSs as part of a wash sale for tax purposes; or
- A U.S. holder whose functional currency is not the U.S. dollar.

With regard to U.S. tax, the following discussion addresses only the material U.S. federal income tax consequences for persons that are "U.S. holders". You are a U.S. holder if you are a beneficial owner of Shares or ADSs and you are, for U.S. federal income tax purposes:

- An individual citizen or resident of the United States;
- A corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- An estate whose income is subject to U.S. federal income tax regardless of its source; or
- A trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable Treasury Department regulations to be treated as a U.S. person.

With regard to Indian tax, the following discussion addresses only the tax consequences for persons that are "non-residents" of India, as defined in the Income Tax Act, as amended by the Finance Act, 2020, and is based on the provisions of Section 115AC and other applicable provisions of the Income Tax Act and the 2014 DR Scheme, which has replaced the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 promulgated by the Government of India.

For the purpose of the Income Tax Act, a non-resident means a person who is not a "resident" of India. An individual is a resident of India during any fiscal year, if such person: (i) is in India in that year for 182 days or more or (ii) was in India for 365 days or more during the four preceding years and is in India for 60 days or more in that year. In order to avoid hardship to Indian citizens and persons of Indian origin who reside outside India (including for employment and business purpose), the above period of 60 days mentioned in (ii) above was relaxed to 182 days.

The Finance Act 2020, has reduced the said period of 182 days stated in the preceding paragraph to 120 days for Indian citizens and persons of Indian origin having total income greater than Rs. 15 lakhs (other than income from foreign sources). As a result, such individuals who come on a visit to India for 120 days or more but less than 182 days, would become a "Not Ordinarily Resident" under Indian law for such fiscal year (subject to satisfying other conditions mentioned in the second limb). This is applicable from Fiscal 2021.

The Finance Act 2020, with effect from April 1, 2020, has also provided that an Indian citizen would be deemed to be a resident in India (but "Not Ordinarily Resident" under Indian law) if such individual is not liable to tax in any other country or territory on account of residency or domicile (or any other similar nature) in that country, provided his total Income for the year, other than income from foreign sources, exceeds Rs.15 lakhs.

A firm or other association of persons is resident in India except where the control and the management of its affairs are situated wholly outside India. A company is said to be resident in India in any fiscal year if it is an Indian company or its "place of effective management", in that year, is in India. "Place of effective management" means a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance, made. The residential test based on "place of effective management" is applicable from Fiscal 2017.

With regard to U.S. federal income tax, the following discussion is based upon the Internal Revenue Code of 1986, as amended, its legislative history, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Department regulations, all as of the date hereof, changes to any of which may affect the tax consequences described herein, possibly with retroactive effect, as well as on the Tax Convention between the United States of America and the Republic of India (the "Treaty").

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. If you hold Shares or ADSs as a partner in a partnership, you should consult your tax advisor with regard to the U.S. federal income tax treatment of an investment in the Company's Shares or ADSs.

This discussion addresses only U.S. federal income taxation and Indian stamp duty and income and goods and service taxation. In addition, this section is based in part upon the assumption that each obligation in the deposit agreement (as amended) and any related agreement will be performed in accordance with its terms.

This summary is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders for the acquisition, ownership and sale of ADSs and Shares.

Taxation of Dividends

In the descriptions below relating to Indian taxation, references to "you" are to a person resident outside India, subscribing to ADSs or Shares.

Indian Taxation

Prior to Finance Act, 2020, dividend income was exempt in your hands as the Company had to pay a "dividend distribution tax" under section 115-O of the Income Tax Act. However, pursuant to the Finance Act 2020, with effect from financial year beginning April 1, 2020, there has been a shift in the taxation of dividend income such that it will be now taxable in your hands as the provisions regarding dividend distribution tax under section 115-O of the Income Tax Act stand deleted for dividend declared, distributed and/or paid by the Indian company after March 31, 2020[1].

Taxation in the Hands of Shareholder

Effective April 1, 2020, dividend on shares is taxable in the hands of the recipient under section 115A of the Income Tax Act at lower of the rate of 20% (plus applicable surcharge and cess) or as per the rates provided in the relevant double taxation avoidance agreement ("DTAA") (read together with multilateral instruments ("MLI") as applicable). Applicable effective tax rate for Fiscal 2021 on the dividend income under section 115A of the Income Tax Act, 1961 is tabulated below for certain category of recipients:

Category of shareholder	Dividend upto Rs.5 million	Dividend more than Rs.5 million but upto Rs.10 million	Dividend more than Rs.10 million but upto Rs.100 million	Dividend more than Rs. 100 million
Effective tax rate applicable to non resident individuals	20.80%	22.88%	23.92%	23.92%
Effective tax rate applicable to foreign companies		20.80%	21.22%	21.84%

Taxation in the Hands of ADS Holders

Dividend on ADS is taxable in the hands of the recipient under section 115AC of the Income Tax Act at lower of the rate of 10% (plus applicable surcharge and cess) or as per the rates provided in the relevant DTAA (read together with MLI, as applicable). Applicable effective tax rate for Fiscal 2021 on the dividend income is tabulated below for certain category of ADS holders:

Category of ADS holder	Dividend upto Rs.5 million	Dividend more than Rs.5 million but upto Rs.10 million	Dividend more than Rs.10 million but upto Rs.100 million	Dividend more than Rs.100 million
Effective Tax rate applicable to non-resident individuals	10.40%	11.44%	11.96%	11.96%
Effective Tax rate applicable to foreign companies		10.40%	10.608%	10.92%

1 The Finance Act, 2020 has deleted section 115BBDA of the Act which provided for tax at the rate of 10% on dividend income from domestic companies exceeding Rs. 1,000,000 in the hands of the shareholder being a person resident in India (other than a domestic company and certain specified trusts or institutions).

U.S. Federal Income Taxation

The tax treatment of your Shares or ADSs will depend in part on whether or not the Company is classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Except as discussed below under Item 10.E “Additional Information—Taxation—Passive Foreign Investment Companies”, this discussion assumes that the Company is not classified as a PFIC for U.S. federal income tax purposes.

Under the U.S. federal income tax laws, if you are a U.S. holder, the gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), other than certain pro-rata distributions of the Company’s shares, will be treated as a dividend that is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the Shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends the Company pays with respect to the Shares or ADSs generally will be qualified dividend income provided that, in the year that you receive the dividend, the Shares or ADSs are readily tradable on an established securities market in the United States or the Company is eligible for the benefits of the Treaty. The Company’s ADSs are listed on the NYSE, and the Company therefore expects that dividends paid on its ADSs will be qualified dividend income. The Company believes that it is currently eligible for the benefits of the Treaty and it therefore expects that dividends on the Company’s Shares will be qualified dividend income, but there can be no assurance that the Company will continue to be eligible for the benefits of the Treaty.

The dividend is taxable to you when you, in the case of Shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. In the case of a dividend payment on the Shares, the amount of the dividend distribution that you must include in your income will be the U.S. dollar value of the Indian rupee payments made, determined at the spot Indian rupee/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in your income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Shares or ADSs and thereafter as capital gain. However, the Company does not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, you should expect to generally treat distributions the Company makes as dividends for U.S. federal income tax purposes.

Dividends that the Company pays with respect to Shares and ADSs will generally be income from sources outside the United States and will, depending on your circumstances, be either “passive” or “general” income for purposes of computing the foreign tax credit limitation allowable to you. However, if (a) the Company is 50% or more owned, by vote or value, by U.S. persons and (b) at least 10% of the Company’s earnings and profits are attributable to sources within the United States, then for foreign tax credit purposes, a portion of the Company’s dividends would be treated as derived from sources within the United States. With respect to any dividend paid for any taxable year, U.S. source ratio of the Company’s dividends for foreign tax credit purposes would be equal to the portion of the Company’s earnings and profits from sources within the United States for such taxable year, divided by the total amount of the Company’s earnings and profits for such taxable year. You will not be entitled to claim a U.S. foreign tax credit for any Indian dividend distribution taxes paid by the Company on a distribution to you.

Taxation of Capital Gains and Losses

Indian Taxation

Capital Gains

If you are a non-resident of India, any gain realized by you on the sale of ADSs to another non-resident as per Section 47 of the Income Tax Act, will not be subject to Indian capital gains tax under Section 115AC and other applicable provisions of the Income Tax Act. Further conversion of ADS into Shares will not attract any tax in India.

Capital gains realized by you on the transfer of Shares (including Shares received in exchange of the ADSs), whether in India or outside India to a non-resident of India or Indian resident, will be liable for income tax under the provisions of the Income Tax Act.

Shares (including Shares issuable on the exchange of the ADSs) held by you for a period of more than 12 months will be treated as long-term capital assets and the capital gains arising on the sale thereof will be treated as long-term capital gains. If the Shares are held by you for a period of 12 months or less, such Shares will be treated as short-term capital assets and the capital gains arising on the sale thereof will be treated as short-term capital gains. A non-resident holder’s holding period (for purposes of determining the applicable Indian capital gains tax rate) in respect of Shares received in an exchange or redemption for ADSs commences on the date on which the request for such redemption is made.

For the purpose of computing capital gains tax on the sale of the Shares received on conversion of ADS or sale of ADSs, the cost of acquisition of such Shares will be determined on the basis of the prevailing price of the Shares on the BSE or NSE, as applicable, as on the date on which the request for such transfer is made.

As per the Finance Act 2018, with effect from April 1, 2018, gains realized by you exceeding Rs.1,00,000/- in a financial year on sale of listed Shares on BSE or NSE, held for more than 12 months, will be subject to Indian capital gains tax in accordance with section 112A of the Income Tax Act. The transaction in Shares will be subject to securities transaction tax (“STT”), wherever applicable. The earlier exemption to such long term capital gains tax under section 10(38) of the Income Tax Act has been withdrawn with certain grandfathering provisions that are discussed below for your reference. Grandfathering provisions were introduced in the Income Tax Act with a view to safeguard interests of investors holding shares as of January 31, 2018. The Central Board of Direct Taxes, notification, dated April 2, 2018 issued guidance providing illustrative scenarios for arriving at the cost of acquisition of shares and computing the long-term capital gain. These scenarios (where shares are acquired on January 1, 2017 and sold on or after April 1, 2018) are given in the below table.

Sr. No.	Scenario	Actual Cost of Acquisition (AC)	Fair Market Value on January 31, 2018 (FMV)	Deemed Cost for Computing LTCG (DC)	Sale Price on or After April 1, 2018 (SP)	LTCG/ (LTCL)
1	AC<FMV<SP DC = FV	100	200	200	250	50
2	AC<FMV>SP DC = SP	100	200	200 (restricted to Sale Price 150)	150	NIL*
3	AC>FMV<SP DC = AC	100	50	100	150	50
4	AC<FMV>SP DC = AC	100	200	100**	50	(50)

* As FMV is more than Sale Price, Deemed Cost is restricted to Sale Price resulting in LTCG as NIL.

** Though FMV > Actual Cost but since Sale Price < Actual Cost, Deemed Cost is restricted to Actual Cost for computation of LTCG.

- In case of listed shares on a recognized stock exchange, FMV is the highest price as at January 31, 2018.
- The said amendment is prospective in nature and thus, gains accrued on or before March 31, 2018 shall not be taxable.

Any gains realized by you on sale of listed Shares held for more than 12 months, whether STT is paid[2] or not, will be subject to Indian capital gains tax at the rate of 10% plus applicable surcharge on income tax and cess at the applicable rates.

Capital gains realized in respect of Shares held by you for 12 months or less (short-term capital gain) on which STT is paid, is subject to tax at the rate of 15% plus applicable surcharge on income tax and cess at the applicable rate. In the event that you do not pay STT, short-term capital gain will be subject to tax at variable rates with the maximum rate of 40% plus applicable rate of surcharge on income tax and cess at the applicable rate. The actual rate of tax on short-term capital gains depends on a number of factors, including your legal status and the type of income chargeable in India.

Capital gains is generally subject to applicable withholding tax except where any treaty benefit may be available.

2 As per section 112A, an exemption threshold of Rs. 100,000 is available in case applicable STT has been paid on transfer.

Capital Losses

In general terms, losses arising from a transfer of a capital asset in India may only be set off against capital gains and not against any other income. A short-term capital loss may be set off against a capital gain, whether short-term or long-term. However, long-term capital loss may only be set off against long-term capital gain and not against short-term capital gain. To the extent that the losses are not absorbed in the year of transfer, you may carry it forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined and may set off against the capital gains assessable for such subsequent assessment years. In order to set off capital losses in this manner, you would be required to file appropriate and timely Income tax returns in India. You will now be allowed to off set any long-term capital loss incurred on or after April 1, 2018 against any long-term capital gain arising on or after April 1, 2018, considering the fact that such capital gains are now taxable under Section 112A of the Income Tax Act. However, with respect to the possibility of setting-off the long-term capital loss arising prior to April 1, 2018, you may consult your tax advisor.

U.S. Federal Income Taxation

Generally, subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your Shares or ADSs, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount you realize and your tax basis, determined in U.S. dollars, in your Shares or ADSs. If you are a non-corporate U.S. holder, your capital gain is generally taxed at preferential rates where you have a holding period greater than one year in the applicable Shares or ADSs at the time of the sale or other disposition. If you are a U.S. holder, certain limitations exist on your ability to deduct capital losses for U.S. federal income tax purposes. Your gain or loss from the disposition or other sale of Shares or ADSs will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

As discussed under “Taxation of Capital Gains and Losses—Indian Taxation”, above, you may be subject to Indian tax upon a sale or other disposition of Shares or ADSs. The Indian capital gains tax described above should be treated as a creditable tax for U.S. federal income tax purposes. However, any capital gain that you recognize upon a sale of Shares or ADSs will generally be treated as U.S. source gain. Accordingly, you will not be able to claim a credit for the capital gains tax under the U.S. foreign tax credit limitation rules unless you recognize a sufficient amount of foreign source income in the appropriate U.S. foreign tax credit limitation basket in the taxable year in which you recognize the capital gain. In addition, the Securities Transaction Tax, levied and collected by BSE and NSE, as applicable depending on which shares are sold, may not be treated as a creditable tax for U.S. federal income tax purposes. You should consult your tax advisor regarding the application of the U.S. foreign tax credit rules to any Indian taxes that you are subject to in respect of a sale or disposition of the Shares or ADSs.

Passive Foreign Investment Companies

The Company believes that the Shares and ADSs should not currently be treated as stock of a PFIC for U.S. federal income tax purposes, and the Company does not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. It is therefore possible that the Company could become a PFIC in a future taxable year. If the Company were to be treated as a PFIC, then gain realized on the sale or other disposition of your Shares or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder that has not made a mark-to-market election with respect to your ADSs or Shares, you would generally be treated as if you had realized such gain and certain “excess distributions” ratably over your holding period for the Shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charged in respect of the tax attributable to each such year. With certain exceptions, your Shares or ADSs will be treated as stock in a PFIC if the Company were a PFIC at any time during your holding period in your Shares or ADSs. Dividends that you receive from the Company will not be eligible for the special tax rates applicable to qualified dividend income if the Company is treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.