Investment by Foreign Portfolio Investors

SEBI introduced Foreign Portfolio Investors Regulations 2014 (“FPI Regulations”) which repealed SEBI (Foreign Institutional Investors), Regulations, 1995. Under the FPI Regulations, foreign institutional investors, sub-accounts and qualified foreign investors merged into a new investor class called Foreign Portfolio Investors (“FPI”). FPI Regulations restrict purchase of equity shares of each company by a single foreign portfolio investor or an investor group to below 10% of the total issued capital of the company. Investment by FPIs shall also be subject to such other conditions and restrictions as may be specified by the Government of India, from time to time. Further to the FPI Regulations, the RBI amended relevant provisions of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 by a notification dated March 13, 2014, to recognise a portfolio investor registered under the FPI Regulations as ‘Registered Foreign Portfolio Investor (RFPI)’. The individual and aggregate investment limits for the RFPIs shall be below 10% and 24% respectively of the total paid-up equity capital and such investments shall also be within such overall sectoral caps prescribed under the foreign direct investment policy. The aggregate limit of 24% may be increased up to the sectoral cap/statutory ceiling, as applicable, by the Indian company concerned by passing a resolution by its Board of Directors followed by passing of a special resolution to that effect by its shareholders. Portfolio investments up to the lower of (i) an aggregate foreign investment level of 49% or (ii) the sectoral/statutory cap will not be subject to either government approval or compliance with the sectoral conditions, as the case may be, provided that such investments do not result in a change in ownership leading to control of Indian companies by non-resident entities.

Investment by Foreign Venture Capital Investors

Recently, the RBI has further liberalized and rationalized the investment regime for Foreign Venture Capital Investors (“FVCIs”). In order to boost foreign investment in Indian startups, the RBI has permitted FVCIs to invest under an automatic in equity regime or under an equity-linked instrument or debt instrument of unlisted Indian companies in certain specified sectors and in Indian startups, irrespective of the sector in which the startup is engaged. There will be no restriction on transfers of any security or instrument held by FVCIs to any person residing inside or outside India.

Overseas Investment

Regulation 6 of the Notification No. FEMA.120/RB-2004 dated July 7, 2004 read together with Circular No. 1 dated July 3, 2014 as amended from time to time, issued by the RBI, provided that an Indian entity is permitted to invest in joint ventures or wholly owned subsidiaries abroad up to 400% of the net worth of the Indian entity as per its last audited financial statements. However, any financial commitment exceeding US$ 1 billion or its equivalent in a financial year would require prior approval of the RBI even if the total financial commitment of the Indian entity is within 400% of the net worth as per its latest audited financial statements. In the vide circular dated January 25, 2017, RBI prohibited Indian companies from making direct investments in an overseas entity (set up or acquired abroad directly—as a joint venture or a wholly-owned subsidiary—or indirectly—as a step-down subsidiary) located in the countries identified by the Financial Action Task Force as “non-cooperative countries and territories” or as notified by the RBI from time to time.

Taxation

The following summary is based on the law and practice of the Indian Income Tax Act, 1961, (Income Tax Act), including the special tax regime contained in Sections 115AC and 115ACA of the Income Tax Act read with the Depository Receipts Scheme 2014. The Income Tax Act 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.

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.

A company is a resident of India if it is incorporated in India or the control and the management of its affairs is situated wholly in India. Companies that are not residents of India would be treated as non-residents for purposes of the Income Tax Act. However, the Finance Act, 2015 has amended and broadened the definition of resident company, to include companies with place of effective management in India (POEM) during the year. This amended definition is effective April 1, 2016.

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 an “education cess” of 3% on such taxes and surcharge, based on which the effective tax on dividend distributed is 20.358%. Additionally, effective June 1, 2011, the SEZ developers profits will also be included while calculating the DDT, which was previously exempt from the DDT. Currently the cascading effect is avoided only for the immediate domestic subsidiary company, which is not a subsidiary of another subsidiary. The Finance Act, 2012, with a view to remove the cascading effect in a multi-tier corporate structure, has amended the Income Tax Act specifying that the 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. The Finance Act, 2013 has amended the Finance Act, 2012 to specify that the 15% tax paid on dividends received from a foreign subsidiary is available for set-off against the DDT payable by a domestic company. The Finance Act, 2016 levies an additional tax at the rate of 10% in the hands of 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 assessee except domestic companies, 12AA exempt Trusts and certain other exempt institutions.

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 Depository Receipts Scheme 2014. 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 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.
- The Finance Act, 2015 has 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.
- The Finance Act, 2017 has amended section 10(38) to include in income , any income arising from the transfer of a long-term capital asset, being an equity share in the company, if the transaction of acquisition, other than the acquisition notified by the central government in this behalf of such, equity shares is entered into on or after 1st day of October, 2004 and such transaction is not chargeable to securities transaction tax under chapter VII of the Finance (No.2) Act, 2004 (23 of 2004).

- The Finance Act, 2017 has also introduced section 56(2)(x) to include that following shall be chargeable to Income tax as "Income from other sources":

where any person receives, in any previous year, from any person or persons on or after the first day of April, 2017,

Any sum of money without consideration, the aggregate value of which exceeds fifty thousand rupees, the whole of the aggregate value of such sum.

(a) Any immovable property :

(A) Without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property

(B) For a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property exceeds such consideration

(b) Any property, other than immovable property:

(A) Without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property.

(B) For a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration.

- In addition to the above, a surcharge as set forth below and an additional surcharge called an "education cess" of 3% is levied as follows:

Category of person	**Surcharge rates for FY 2015-16**	**Surcharge Rates for FY 2016-17**
Resident other than company	12%, if total income > 10 million	12%, if total income > 10 million
Resident company	7%, if total income > 10 million and < 100 million 12%, if total income > 100 million	7%, if total income > 10 million and < 100 million 12%, if total income > 100 million
Non Resident other than company	12%, if total income > 10 million	12%, if total income > 10 million
Foreign company	2%, if total income > 10 million and < 100 million 5%, if total income > 100 million	2%, if total income > 10 million and < 100 million 5%, if total income > 100 million

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 foreign currency convertible bonds (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 34.61% (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 Depository Receipts Scheme 2014, 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 40% 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 as set forth on the table below and an additional surcharge called "education cess" of 3% in addition to the above tax and surcharge will be levied.(Refer 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 (STT): 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 pay each a Securities Transaction Tax, or 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—	0.1per cent	Purchaser
(*a*) the transaction of such purchase is entered into in a recognised 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 per cent	Seller
(*a*) the transaction of such sale is entered into in recognised 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 per cent	Seller
(a) the transaction of such sale is entered into in a recognised 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 per cent	Seller
(*a*) the transaction of such sale is entered into in a recognised 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 per cent	Seller
(*b*) Sale of an option in securities, where option is exercised	0.125 per cent	Purchaser
(*c*) Sale of a futures in securities	0.01 per cent	Seller
Sale of a unit of an equity oriented fund to the Mutual Fund.	0.00 per cent	Seller

Service tax: Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares is subject to a service tax at an effective rate of 15%.

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 196 D (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.

Buy-Back of Securities. Indian companies are not subject to any tax on the buy-back of their shares, if the shares are listed in a recognized stock exchange and the buy-back transaction is executed in a recognized stock exchange. However, the shareholders will be taxed on any resulting gains. The company would be required to deduct the tax at source according to the capital gains tax liability of a non-resident shareholder. The Finance Act, 2013 has levied a tax of 20% against the company for consideration paid to shareholders (in excess of the initial subscription amount) towards buy-back of shares by an unlisted company u/s 115QA of the Income Tax Act, 1961.

As per the provisions of the Income Tax Act, where the shares are held as investments, income arising from the transfer of such shares is taxable under the head “Capital Gains”. Capital gains on buy-back of shares are governed by the provisions of section 46A of the Income Tax Act and would attract capital gains in the hands of shareholders as per provisions of section 48 of the Income Tax Act.

Short Term Capital Gain (STCG) (holding period less than or equal to 12 months) arising from buy-back of listed equity shares (subjected to STT) would be subject to tax @ 15% under section 111A of the Income Tax Act. (Applicable for both Resident and Non Resident shareholder)

Long Term Capital Gain (LTCG) (holding period more than 12 months) arising from buy-back of listed equity shares (subjected to STT) would be exempt under section 10(38) of the Income Tax Act. (Applicable for both Resident and Non Resident shareholder)

Non-resident shareholders can avail beneficial provisions of the applicable double taxation avoidance agreement (‘DTAA’) entered into by India with relevant country in which the shareholder is resident but subject to fulfilling relevant conditions and submitting/ maintaining necessary documents prescribed under the Income Tax Act.

If the shares are held as stock-in-trade by any of the shareholders of the Company, then the gains would be characterized as business income and taxable under the head “Profits and Gains from Business or Profession. In such a case, the provisions of section 46A of the Income Tax Act will not apply.

Resident Shareholders:

a) For individuals, Hindu Undivided family (HUF) Associate Of Person (AOP), Body Of Individual (BOI), profits would be taxable at slab rates.

b) For persons other than stated in (a) above, profits would be taxable @ 30%.

No benefit of indexation by virtue of period of holding would be available in any case.

Non Resident Shareholders:

a) Non-resident shareholders can avail beneficial provisions of the applicable double taxation avoidance agreement (‘DTAA’) entered into by India with relevant shareholder country but subject to fulfilling relevant conditions and submitting/ maintaining necessary documents prescribed under the Income Tax Act.

b) Where DTAA provisions are not applicable:

- For non-resident individuals, HUF, AOP, BOI, profits would be taxable at slab rates
- For foreign companies, profits would be taxed in India @ 40%
- For other non-resident shareholders, such as foreign firms, profits would be taxed in India @ 30%.

In addition to the above, Surcharge, Education Cess and Secondary and Higher Education Cess are leviable (Please refer to surcharge table given above under Taxation of capital gains clause).

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. The provision of GAAR will be applicable from 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 impermissible avoidance arrangements or an arrangement with lack of commercial substance, the tax authorities after hearing to the tax payer and after obtaining due approvals from 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 GAAR provisions are as under:

a) disregarding, combining or recharacterising any step in, or a part or whole

b) treating the 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-characterised.

Minimum Alternative tax (MAT): The Income Tax Act, 1961 (Act) introduced the provisions of MAT with effect from April,1 2001, which require corporate assesses 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, provision towards any diminution in the value of assets, appropriations etc. From April 2005 till 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 also subject to MAT. The effective rate of MAT is 21.34%. 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 the present period of 10 years.

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.

The stock broker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority.

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 acquisition, 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 citizens or residents of the United States, or corporations (or other entities treated as corporations for United States federal income tax purposes) created in or under the laws of the United States or any political subdivision thereof or therein, estates, the income of which is subject to U.S. federal income taxation regardless of its source and trusts having a valid election to be treated as U.S. persons in effect under U.S. Treasury Regulations or for which a U.S. court exercises primary supervision and a U.S. 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 Government of the Republic of India for the avoidance of Double Taxation and the prevention of Fiscal Evasion 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, potential application of the Medicare contribution tax, 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 tax laws of the United States as in effect on the date of this document and on United States 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. Except for equity shares, if any, distributed pro rata to all shareholders of our company, including holders of ADSs, the gross amount of any distributions of cash or property 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 depositary, 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 generally allowed to corporate U.S. holders. To the extent, if any, that the amount of any distribution by our company exceeds our company’s current and 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 the U.S. holder’s tax basis in the equity shares or ADSs and thereafter as capital gain.

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 United States federal income tax purposes.

A qualified foreign corporation includes a foreign corporation if (1) its shares (or, according to legislative history, its ADSs) 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. In addition, a corporation is not a qualified foreign corporation if it is a passive foreign investment company (as discussed below). Our ADSs are traded on the New York Stock Exchange, an established securities market in the United States as identified by Internal Revenue Service guidance. We may also be eligible for benefits under the comprehensive income tax treaty between India and the United States.

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 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” purposes of computing the United States foreign tax credit allowable to a U.S. holder.

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 taxation – “Taxation of Distributions – Taxation of Capital Gains.” 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 28%, may apply unless the holder is an exempt recipient or provides a 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 will be allowed as a refund or credit against the holder’s U.S. federal income tax, provided that the required information is furnished to the Internal Revenue Service.

Passive Foreign Investment Company. A non-U.S. corporation will be classified as a passive foreign investment company 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, 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 fiscal year ended March 31, 2017. 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 period, 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 an 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 equity shares;
- if an election is made 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.

If we are treated as a passive foreign investment company, we do not plan to provide information necessary for the qualified electing fund election.

In addition, certain information reporting obligations may apply to U.S. holders if we are determined to be a PFIC.

THE ABOVE SUMMARY IS NOT INTENDED TO BE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO OWNERSHIP OF EQUITY SHARES OR ADSs. YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR CIRCUMSTANCES, AS WELL AS ANY ADDITIONAL TAX CONSEQUENCES RESULTING FROM AN INVESTMENT IN THE ADSs OR EQUITY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR NON-U.S. JURISDICTION, INCLUDING ESTATE, GIFT AND INHERITANCE LAWS.