

## EGM NOTICE 2013

## ANNEXURE TO THE NOTICE

## Explanatory Statement As Required U/s 173(2) of The Companies Act, 1956

The members at the 14th Annual General Meeting held on 23-07-2002 had approved granting of stock options to persons who were in permanent employment of the Company for acquiring shares of the Company which were purchased by Hikal Employees Welfare Trust-A and Hikal Employees Welfare Trust-B (collectively referred as "Trusts") from the secondary market and for the said purposes, the Board was authorized to bring into effect an ESOP Scheme. Accordingly, the Board had framed an ESOP Scheme under the provisions of the then prevailing laws and guidelines.

The Trusts have since their formation purchased equity shares of the Company from secondary market with an intent to make them available under the ESOP scheme. In the year 2004, under the ESOP scheme the eligible employees were offered stock options for 36,775 equity shares and the said offer was accepted by the concerned employees. Subsequently in the years 2005, 2006, 2007 and 2008, shares were offered to the employees under ESOP Scheme. However, due to the market conditions (the market price having fallen below the offer price), no employee exercised the option and accordingly no shares were allotted under the ESOP Scheme. In the circumstances for all practical purposes, the ESOP Scheme has become ineffective and non viable.

Presently, the Trusts collectively hold 7,76,318 equity shares of the Company.

The Securities and Exchange Board of India has by a circular dated 17-1-2013 amended the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ("Guidelines") and Listing Agreement whereby employee welfare trusts are now prohibited from acquiring securities from the secondary market and the employee benefit schemes involving dealing in the securities of the company, which are not in the accordance with the Guidelines are required to be aligned with the Guidelines by either transferring the shares to the employees or by selling the shares in the market and transferring the benefit to the employee on or before 30-6-2013.

As it is not possible for the Company to align the ESOP scheme with the Guidelines, the ESOP scheme will have to be cancelled /rescinded before 30-6-2013. Since as per the Guidelines, any variation to the ESOP scheme has to be approved by the members of the company, it is necessary to convene an extra ordinary general meeting to obtain approval of the members for cancelling/rescinding the ESOP scheme and to do all further acts in that regard by the Board.

None of the Directors of the Company are interested or concerned in the passing of the resolution except to the extent of their shareholding in the Company.

The Board recommends the Special Resolution for the approval by the members.

By Order of the Board of Directors

Registered Office :  
717/718, Maker Chamber V,  
Nariman Point,  
Mumbai 400 021  
Date : 6th February, 2013

For Hikal Ltd.

S.V. Wahalekar  
Company Secretary