

IL&FS Engineering and Construction Company Limited *and Reduced*

Registered Office : Door No 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers,
Road No. 2, Banjara Hills, Hyderabad – 500 033

NOTICE

NOTICE is hereby given that an **EXTRAORDINARY GENERAL MEETING** of **IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED AND REDUCED** ("Company") will be held on Tuesday, March 18, 2014 at 12.00 Noon at KLN Prasad Auditorium, 3rd Floor, The Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad – 500 004 to transact the following Special Business:

- (1) To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of Section 14 and other applicable provisions including rules, if any, of the Companies Act, 2013, whenever made applicable, the existing Part-II (Chapter II – Specified Articles) of the Articles of Association of the Company be and is hereby deleted in its entirety"
"RESOLVED FURTHER THAT the word "Part-I" be and is hereby deleted in the first page of Articles of Association of the Company"
"RESOLVED FURTHER THAT Mr. Murli Dhar Khattar, Managing Director of the Company, Dr. Sambhu Nath Mukherjee, Chief Financial Officer of the Company and Mr. G. Venkateswar Reddy, Company Secretary of the Company be and are hereby severally authorised to undertake such acts, deeds and matters, including but not limited to making requisite filings with the Registrar of Companies that may be required to give effect to the amendments to the Articles of Association of the Company in accordance with this resolution"
- (2) To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT the consent of the Equity Shareholders be and is hereby accorded to extend the redemption period of 2,25,000 6% Cumulative Redeemable Preference Shares (CRPS) and 37,50,000 6% Optionally Convertible Cumulative Redeemable Preference shares (OCCRPS) of Rs.100/- each, which were due for redemption on September 30, 2013, by six years with an early redemption right to the Company before the extended period of six years by giving 30 days notice period and the action of the Board of Directors of the Company with respect to the said extension of redemption period of said 2,25,000 CRPS and 37,50,000 OCCRPS be and is hereby ratified"
- (3) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Murli Dhar Khattar who was appointed as an Additional Director by the Board of Directors on November 14, 2013, pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office up to the date of the next Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."
- (4) To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof (the Act), relevant provisions of the Articles of Association of the Company, Mr. Murli Dhar Khattar be and is hereby appointed as Managing Director of the Company for a period of three years with effect from December 26, 2013, on following terms and conditions, with authority delegated to the Board of Directors or Remuneration Committee thereof (hereinafter referred to as "the Board") to alter and vary the terms and conditions of the said appointment and/or the remuneration, subject to the relevant provisions of the Act
 - (a) Consolidated Salary: Rs.7,09,500 p.m. in the scale of Rs.7,00,000/- p.m. to Rs.15,00,000/- p.m.
 - (b) Perquisites : In addition to the Consolidated Salary, the Managing Director shall also be entitled to the following perquisites :
 - (i) Chauffeur driven car as per Company policy. The use of car for private purposes will be billed by the Company
 - (ii) House Rent Allowance – Rs. 200,000 p.m. subject to the Company Policy
 - (iii) Leave Travel Allowance - as per the Rules and Regulations of the Company and as approved by the Remuneration Committee of the Board
 - (iv) Medical Reimbursement - as per the Rules and Regulations of the Company and as approved by the Remuneration Committee of the Board
 - (v) House Maintenance Allowance - as per the Rules and Regulations of the Company and as approved by the Remuneration Committee of the Board
 - (vi) Special Allowance – Rs.83,333/- p.m.
 - (vii) Lunch coupons - as per the Rules and Regulations of the Company and as approved by the Remuneration Committee of the Board
 - (viii) One Mobile phone and all rentals, local call charges for the mobile phone. One telephone / fax at residence. Official long distance calls shall be reimbursed. However, personal long distance calls will be billed by the Company

- (ix) One Club Membership - This does not include Life Membership fees
 - (x) Personal Accident Insurance Policy as may be approved by the Board from time to time
 - (xi) Mediclaim Insurance Policy for Managing Director - The premium of the policy would be as per the Rules and Regulations of the Company and as approved by the Remuneration Committee of the Board
 - (xii) All payments to Managing Director are subject to Deduction of Tax at Source in terms of applicable statutory provisions from time to time
- (c) Performance Related Pay/ Incentive : Such remuneration by way of performance based rewards/ incentives, in addition to the above salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Act, including amendments thereto
- (d) Minimum Remuneration : Notwithstanding anything to the contrary herein contained wherein any financial year the currency of tenure of Managing Director, the Company has no profits or its profits are inadequate, remuneration by way of salary, performance based rewards/ incentive and perquisites shall not exceed the aggregate of the annual remuneration as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Act, whichever is lower, unless otherwise determined by the Board, subject to approval of the MCA, if required

Explanation : For the purpose of calculating the limit under the Act, perquisites, allowances shall be evaluated as per Income Tax Rules thereon wherever applicable. In the absence of any such rules, the perquisites and allowances shall be evaluated at the actual cost. Leave Encashment will not be included in the computation of the ceiling on perquisites

- (e) General Conditions :
- (i) The total remuneration payable to the Managing Director

along with other Whole-Time Directors of the Company, if any, shall not exceed 10% of the net profits during any financial year. In case there are no other Whole-Time Director, the total remuneration payable to the Managing Director shall not exceed 5% of the net profits during any financial year or such other limit as may be prescribed by the Central Government

- (ii) The Managing Director shall not be liable to retire by rotation
- (iii) The Managing Director shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof
- (iv) The Managing Director shall be entitled to such other privileges, allowance, facilities and amenities in accordance with rules and regulations as may be applicable to other employees of the Company or as may be decided by the Board, within the overall limits prescribed under the Act
- (v) Mr Khattar will cease to be Managing Director on cessation of his employment with the Company
- (vi) Managing Director during the tenure of his appointment or after completion of the services/contract will not disclose any proprietary, confidential or classified information relating to the Project/activities/tasks, business or operations of the Company, without the written consent of the Board
- (vii) During the tenure of his appointment, the Managing Director will not engage, either directly or indirectly, in any other business or professional activities, whether or not it may conflict with the business activities or business prospect of the Company, without the written consent of the Board"

By order of the Board

For IL&FS Engineering and Construction Company Limited and reduced

Date: February 12, 2014
Place: Mumbai

G. Venkateswar Reddy
Company Secretary

NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. BLANK PROXY FORM IS ATTACHED.
- (2) The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, and Section 102 of Companies Act, 2013 in respect of resolutions set out hereinabove is annexed hereto and forms part of this notice.
- (3) Members / Proxies are requested to hand over the enclosed Attendance Slip duly filled in, at the entrance for attending the meeting.
- (4) Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of board resolution on the letterhead of the Company, signed by one of the Directors, Company Secretary or any other authorized signatory named in the resolution, authorizing their representatives to attend and vote on their behalf at the meeting.
- (5) Members who hold shares in dematerialised form are requested to bring their CLIENT ID and DP ID numbers for easy identification of attendance at the meeting.
- (6) Members are informed that in case of joint holders attending the meeting, only such joint holder who is higher in order of the names will be entitled to vote.

- (7) Documents referred to in the accompanying Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours between 9.00 a.m. and 5.30 p.m. on all working days prior to the date of the Extraordinary General Meeting.
- (8) Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Registrars of the Company i.e. Karvy Computershare Private Limited, Plot No. 17-24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 in respect of their physical share folios, if any.
- (9) Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 1

The Articles of Association of the Company was earlier amended to include various terms under the Shareholders Agreement (SHA) entered amongst Infrastructure Leasing & Financial Services Limited (Promoter), IL&FS Financial Services Limited (IFIN), SBG Projects Investments Limited (Investor) and the Company for equity infusion.

The Promoter, IFIN, Investor and the Company have since agreed for amending the SHA and thereby delete Part-II (Chapter-II – Specified Articles) of Articles of Association of the Company. Any deletion/ amendment to the Articles of Association of the Company requires approval of the Shareholders. The Board recommends this resolution for your approval.

None of the Directors or Key Managerial Personnel and/or the relatives of Directors/Key Managerial Personnel are concerned or interested in this resolution.

Item No. 2

Under the Corporate Debt Restructuring Scheme sanctioned by 10 CDR Banks to the Company, the Company had allotted 2,50,00,000 6%-Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) and 15,00,000 6%-Cumulative Redeemable Preference Shares of Rs.100/- each (CRPS) as bonus shares on originally allotted 6% OCCRPS.

Out of the above, 37,50,000 OCCRPS and 2,25,000 CRPS were due for redemption on September 30, 2013. The Board of Directors had resolved to extend the period of redemption of these OCCRPS and CRPS by a period of six years with an early redemption right to the Company before the extended period of six years by giving 30 days notice period i.e. the new redemption date for these 37,50,000 OCCRPS and 2,25,000 CRPS shall be September 30, 2019 unless they are redeemed earlier by giving 30 days notice to the concerned shareholders. The Company noted that these shares were purchased by Maytas Investment Trust (Trust) on September 27, 2013 and the Trust had agreed to extend redemption period by six years with early

redemption right to the Company. The Company has also obtained the consent of other preference shareholders u/s.106 of the Companies Act 1956. The consent of Equity Shareholders is also sought u/s.106 of the Companies Act 1956.

Accordingly, the Board recommends the resolution for approval.

None of the Directors, Key Managerial Personnel and/or the relatives of the Directors/ Key Managerial Personnel is, in anyway, concerned or interested in this resolution.

Item Nos. 3 & 4

Mr. Murli Dhar Khattar, Chief Executive Officer of IL&FS Engineering and Construction Company Limited *and reduced*, was appointed as Additional Director on the Board of the Company on November 14, 2013.

Further, at the Meeting of the Board of Directors of the Company held on December 26, 2013, Mr. Murli Dhar Khattar has been appointed as Managing Director of the Company in terms of Section 269 of the Companies Act, 1956 (the Act) for a period of three years effective from December 26, 2013. The Remuneration Committee in its Meeting held on December 26, 2013 approved the remuneration payable to Mr. Khattar.

Brief Profile of Mr. Murli Dhar Khattar:

Mr. Khattar is a qualified Civil Engineer from the University of Pune, has done Post Graduate Diploma in Ecology and Environment from Indian Institute of Ecology and Environment. He has completed Management Degree from the All India Management Association. He was for long associated with Indian Railways and was involved in challenging projects of construction of new railway lines in the Eastern Ghats requiring Tunnels and deep bridges and maintenance of high speed railway line on the Eastern Railway. Mr. Khattar has also worked in IRCON International and was actively managing works in 14 different countries in various areas like Roads, Railways, Bridges, Telecom, Electrification etc., He was Director and later the Managing Director, of this company. Later on, he was involved in works of hydro power and heavy construction like Metros etc. He was also involved in water supply works, ports, PPP projects, and so on and associated with H.C.C Ltd and JMC Projects (India) Ltd.

Before this appointment, Mr. Khattar was Chief Executive Officer (CEO) in IL&FS Group and was also concurrently holding the responsibility as Managing Director of a Spanish Engineering Company – Elsamex which was acquired by IL&FS Transportation Networks Limited (ITNL).

Other Information:

(a) General Information :

- (i) **Nature of Industry :** Construction & Infrastructure Development.
- (ii) **Date or expected date of commencement of commercial production:** Not applicable since the Company is an existing Company.
- (iii) **In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:** Not applicable.

(iv) Financial performance of the Company.

(Rs. in Crores)

Particulars	FY 2011-12 (18 Months)	FY 2010-11	FY 2009-10
Gross Income	2145.40	1097.11	1003.96
(Loss)/Profit before Interest, Depreciation, exceptional items and tax	170.64	10.8	(46.46)
Interest and Finance Charges	213.31	74.36	150.94
Depreciation	94.00	56.96	83.67
(Loss)/Profit before exceptional items, tax and prior period Items	(136.67)	(120.52)	(281.07)
Exceptional Items (net)	(10.26)	129.08	39.48
(Loss)/Profit before Tax and Prior Period Items	(126.41)	8.56	(241.59)
Provision for Taxes	8.90	(6.07)	-
Less: Prior Period Expenses (net)	-	11.72	8.05
(Loss)/Profit after Tax	(135.31)	2.91	(249.64)
Adjustment as per Scheme of arrangement	179.82	-	-
Profit after adjustment as per the Scheme of arrangement	44.51	2.91	(249.64)
Other Financial Data	FY 2011-12 (18 Months)	FY 2010 - 11	FY 2009-10
Dividend (%)	Nil	Nil	Nil
Earning Per Share	(21.80)	(2.64)	(42.42)
Return on Net worth	(32.84)	0.50	(93.14)

(v) Foreign Investments or Collaborators, if any: SBG Projects Investments Limited**(b) Information about the Managing Director:****(i) Background Details.**

Mr. Murli Dhar Khattar is a Civil Engineer from University of Pune. He was associated with Infrastructure Leasing & Financial Services Limited (IL&FS), and has more than 50 years of experience in Infrastructure Industry where he handled responsibilities in operations both in India and managed projects abroad.

(ii) Past Remuneration :

S.No.	Name of the Organization	Period	Amount/Rs.
1	Infrastructure Leasing and Financial Services Limited	5 Years	1.11 Cr p.a
2	JMC Projects (India) Limited	2 Years	0.40 Cr p.a
3	H.C.C. Limited	9 Years	0.40 Cr p.a

(iii) Job Profile and his suitability and comparative remuneration profile with respect to industry, size of the Company, profile of the position & person.

Position Description	Description & suitability	Market benchmark in compensation
Managing Director	<p>Mr. Murli Dhar Khattar is a Civil Engineer from University of Pune. He was associated with several companies for more than 50 years where he handled responsibilities in operations both in India and abroad.</p> <p>Before this appointment, Mr. Khattar was CEO in IL&FS Group and was also concurrently holding the responsibility as Managing Director of a Spanish Engineering Company – Elsamex, which was acquired by ITNL.</p> <p>During the course of his previous employments, Mr. Khattar was involved in projects in various areas like Roads, Railways, Bridges, Telecom, Electrification, Hydro Power and Heavy Construction like Metros etc. He was also involved in Water Supply Works, Ports, PPP Projects, and so on.</p>	For Organizations with turnover range of Rs.1000 Crores and employee strength of more than 1,000 - the remuneration of the Managing Director is in the range of Rs. 2.5 Cr. to Rs.3.5 Crs. p.a.

(c) Other Information:

(i) Reason of loss or inadequate profit:

The Company has reported a turnover of Rs. 2042.56 Cr for the financial year ended September 30, 2012 (18 months) as against Rs. 1,015.18 Cr for the previous Financial Year ended March 31, 2011 (12 M). The Company has reported a net loss of Rs. 135.31 Crores (before giving effect to the Scheme of arrangement) as against net profit of Rs. 2.91 Cr for the previous F Y.

During the year 2012, the Company was a victim of the global economic slowdown which was more specific to infrastructure sector. In spite of increase in Revenue, the Company suffered loss during the year mainly due to scope reduction by the Clients and extension of time in legacy projects being executed in Roads and Irrigation Sectors. Company has Claims against the Client in respect of Extension of Time and Scope Variations which are under various stages of discussions with the Client. As a matter of prudence the Company has not accounted for such Claims.

(ii) Steps taken or proposed to be taken for improvement & expected increase in productivity and profits in measurable terms:

The Company, as on September 30, 2013, has an order book of approx Rs. 9746.49 Crores in the Irrigation, Power, Roads, Buildings, Railways, Ports and Oil & Gas sectors with bulk of them approx Rs. 4306.40 Crores in the Irrigation Sector and Rs. 5440.09 Crores distributed among all the other sectors. With a four years equivalent order book in hand, the Company is confident of rebuilding itself, with its qualifications intact, once the bank facilities are restored. As part of the rebuilding exercise, the Company is working closely with its Promoters, IL&FS who have significant presence across all major verticals in Infrastructure Sector. The Company has been able to attract the Saudi Binladin Group (SBG) of Saudi Arabia as a Strategic Investor in the Company. The participation of the SBG Group in the Company envisages creation of a strong amalgam of technological and financial resource pools with a diversified presence across the entire infrastructure and contracting space. This will enable the Company rebuild its strengths in the EPC space through a steady flow of contracts, agglomeration of execution capacity, access to the Indian infrastructure space and servicing of large value national and international projects. With the induction of SBG, the Company is well poised to systematically exploit niche segments of the EPC business. The Company should be in a position to diversify its geographical and sectoral mix and introduce newer and more efficient processes and

solutions to its customers. This would result in improved delivery times, cost savings and better quality of product.

The Company has incorporated a Subsidiary Company in Saudi Arabia along with SBG Group to explore opportunities available in the Middle East.

The Company has proposed to issue further Equity Shares to its existing Equity Shareholders on Rights Basis under section 81(1) of Companies Act, 1956 for an amount of Rs. 300 Crores to improve its Net worth and Debt Equity Ratio which will enable the Company to reduce interest cost etc.

(d) Disclosures:

The total remuneration proposed to be paid to Mr. Murli Dhar Khattar is Rs. 992,833 p.m. and perquisites as mentioned in the Resolution.

The following are the Directorship in Companies and Membership of Committees held by Mr. Murli Dhar Khattar

Director:

1. Ramky Elsamex Hyderabad Ring Road Ltd
2. Brindavan Infrastructure Company Ltd
3. Bangalore Elevated Tollway Ltd
4. Maytas Metro Ltd
5. Hill County Properties Ltd
6. Hyderabad Expressways Ltd
7. Cyberabad Expressways Ltd
8. Kohinoor CTNL Infrastructure Company Private Ltd

Except Mr. Khattar, none of the Directors, Key Managerial Personnel and any relatives of the Directors and/or Key Managerial Personnel of the Company are concerned or interested in the resolutions. None of the Directors is related to Mr. Murli Dhar Khattar.

The terms and conditions as set out in Resolution Nos 3 & 4 above should also be treated as an Abstract of Memorandum of Interest under Section 302 of the Companies Act, 1956.

The Board recommends the resolution for approval of the Members.

By Order of the Board

For IL&FS Engineering and Construction Company Limited and reduced

Date: February 12, 2014
Place: Mumbai

G. Venkateswar Reddy
Company Secretary

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IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED AND REDUCED

Registered Office : Door No 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers,
Road No. 2, Banjara Hills, Hyderabad – 500 033

ATTENDANCE SLIP

I/wehereby record my/our presence at the Extraordinary General Meeting being held on Tuesday, March 18, 2014 at 12.00 Noon at KLN Prasad Auditorium, 3rd Floor, the Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad – 500 004

Name of the Shareholder / Proxy* No. of Shares held.....

Folio No.:

Client Id:

DP Id:

Signature of Shareholder

*Strikeout whichever is not applicable

Note:

1. Shareholder/Proxy intending to attend the meeting must bring the duly signed Attendance Slip to the Meeting and handover at the entrance.
2. Shareholder/Proxy should bring his/her copy of the Notice.

IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED AND REDUCED

Registered Office : Door No 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers,
Road No. 2, Banjara Hills, Hyderabad – 500 033

PROXY

I/weofin the District ofbeing a Member(s) of the above named Company, hereby appointofin the District ofor failing him/ herofin the District ofas my/our Proxy to vote and for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on Tuesday, March 18, 2014 at 12.00 Noon at KLN Prasad Auditorium, 3rd Floor, the Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad – 500 004 and at any adjournment thereof.

Signed thisthe day of2014

Folio No.:

Client Id:

DP Id:

No. of SharesSignature

Note : The Proxy in order to be effective must reach duly filled at least 48 (fortyeight) hours before the Commencement of the aforesaid meeting

Affix
Re 1/-
Revenue
Stamp

BOOK - POST

if undelivered, please return to :

 **IL&FS** | Engineering Services

IL&FS Engineering and Construction Company Limited

Door No 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers,
Road No. 2, Banjara Hills, Hyderabad – 500 033

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