



Indicative Terms & Conditions

Issuer	Radico Khaitan Limited, a public company incorporated in and subsisting under the laws of the Republic of India with limited liability.
Issue	US\$40,000,000 unsecured convertible bonds (the "Bonds") due 2011.
Issue Price	The Bonds will be issued at 100% of their principal amount.
Issue Date	26 July, 2006.
Maturity Date	27 July, 2011.
Option for Additional Bonds	The Issuer has granted to the Manager an option exercisable in whole or in part and one or more occasions at any time prior to the date which is 30 days from the Closing Date, to purchase or procure purchasers for up to an additional US\$10,000,000 principal amount of the Bonds (the "Optional Bonds").
Interest Rate	The Bonds will bear interest at a rate of 3.50% per annum. Interest is payable semi-annually in arrears on 26 January and 26 July of each year. The first interest payment shall be made on 26 January 2007.
Yield-to-Maturity	The Bonds have a yield to maturity of 8.50% (compounded semi-annually)
Redemption at Maturity	Unless previously converted, redeemed or cancelled, the Issuer will redeem each Bond at 130.3961% ("Redemption Amount") of its principal amount on the Maturity Date in cash.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and will at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.
Conversion Right	Except during certain Closed Periods, the Bonds are convertible by holders of the Bonds ("Bondholders") into fully paid equity shares of the Issuer with full voting rights with par value Rs.2 per share of the Issuer ("Shares") at any time on or after 26 August 2006 (or such earlier date as is notified to the Bondholders by the Issuer) and prior to the close of business on 26 June 2011, unless previously redeemed, converted or cancelled.
Conversion Price	The conversion price at which the Bonds may be converted into Shares (subject to adjustment in the manner provided in the "Terms and Conditions of the Bonds") (the "Conversion Price") will initially be Rs.172.5 per Share, with a fixed rate of exchange on conversion of Rs.46.0020 = US\$1.00. The Conversion Price of the Bonds will be reset downwards to Rs.159.21 on 26 July 2007 (the "First Reset Date") and to Rs.159.21 on 26 July 2008 (the "Second Reset Date") if the average of the Closing Prices (as defined in the "Terms and Conditions of the Bonds") of the Shares in the fifteen previous Trading Days (as defined in the "Terms and Conditions of the Bonds") before the Reset Date is less than the Conversion Price. The Conversion Price may not be reset below Rs.159.21.
Adjustment to Conversion Price	The Conversion Price of the Bonds will be adjusted if certain events occur after the Issue Date, including upon (i) bonus issues of Shares, (ii) a free distribution of Shares, (iii) sub-division,



consolidations and reclassification of Shares, (iv) an issuance of rights to acquire Shares, (v) the issuance of warrants at a discount to the prevailing market price (vi) the issuance of convertible bonds and exchangeable bonds at below market price and (vii) the issuance of Shares at below market price. The Conversion Price will not be adjusted in the event of securities issued by the Issuer to the promoters to counter the dilution of their holdings from the issuance of the CCPs and the conversion of the Bonds until the maturity of the Bonds following the Original Issue Date.

Trust Deed	The Bonds will be issued under the trust deed, to be dated as of on or about 26 July, 2006 (the "Trust Deed") between the Issuer and The Bank of New York, London branch.
Redemption at the Option of the Issuer	The Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time on or after 26 July 2009 and prior to 27 July 2011, subject to satisfaction of certain conditions, at the Early Redemption Amount (as defined in the Terms and Conditions) if the Closing Price of the Shares for the 15 consecutive Trading Days immediately prior to the date on which notice of such redemption is published, is at least 130% above the Early Redemption Amount (accrued value) then in effect converted into US dollars at the rate of Rs.46.0020 = US\$1.00. The Bonds may be redeemed, in whole but not in part, at any time during such period at the option of the Issuer, subject to satisfaction of certain conditions, at the Early Redemption Amount if 10% or less in aggregate principal amount of the Bonds issued (including such principal amount of the Bonds issued pursuant to the Option for Additional Bonds) remains outstanding.
Redemption for Taxation	The Bonds may be redeemed at the option of the Issuer, in whole but not in part, subject to satisfaction of certain conditions including obtaining Reserve Bank of India ("RBI") approval at the Early Redemption Amount on the date fixed for redemption in the event of certain changes affecting taxes as specified in "Terms and Conditions of the Bonds — Redemption for Taxation Reasons".
Redemption of Bonds in the Event of Delisting	To the extent permitted by applicable law, unless the Bonds have been previously redeemed, cancelled or converted, in the event that the Shares cease to be listed or admitted to trading on the BSE or NSE(a "Delisting"), each Bondholder shall have the right, at such Bondholder's option, to require the Issuer to redeem all of such Bondholder's Bonds at the Early Redemption Amount. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption of Bonds in the Event of Delisting".
Redemption of Bonds in the Event of Change of Control	To the extent permitted by applicable law, unless the Bonds have been previously redeemed, cancelled or converted, each Bondholder shall have the right, at such Bondholder's option, upon the occurrence of certain Change of Control events to require the Issuer to redeem all of such Bondholder's Bonds at the Early Redemption Amount. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption of Bonds in the Event of a Change of Control".
RBI Approval Required for Redemption	Under current regulations of the RBI applicable to convertible bonds, the Issuer will require the prior approval of the RBI before providing notice for or effecting any redemption or repurchase of the Bonds prior to the Maturity Date.
Form and Denomination of Bonds	The Bonds will be issued in registered form in denominations of US\$10,000 each or integral multiples thereof. The Bonds issued on the Issue Date and any Optional Bonds issued thereafter, if any, will each be represented by a Global Certificate which on the Issue Date will be deposited with, and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg (collectively, the "Clearing Systems").
Share Ranking	Shares issued upon conversion of the Bonds will be fully paid with full voting rights and will rank <i>pari passu</i> with the Shares in issue on the relevant Conversion Date. Shares shall not be



entitled to any rights the record date for which preceded the relevant Conversion Date. See “Description of the Shares — Dividends” and “Terms and Conditions of the Bonds — Conversion”.

Market for the Shares, Listing and Share Ownership Restrictions.....	The outstanding Shares of the Issuer are listed on the BSE and NSE and an application has been made to list the Shares issuable on conversion of the Bonds on the BSE and NSE There are certain restrictions applicable to investments in shares and other securities of Indian companies, including the Shares, by persons who are not residents of India. See “Appendix B — Foreign Investment and Exchange Controls”.
Clearance.....	The Bonds will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.
Global Certificate	For as long as the Bonds are represented by the Global Certificate(s), each Global Certificate will be held by a common depository for the Clearing Systems, payments of principal and premium in respect of the Bonds represented by the Global Certificate will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, surrender of the Global Certificate(s) to or to the order of the Paying Agent for such purpose. The Bonds which are represented by each Global Certificate(s) will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System. If Optional Bonds are to be issued on a date after the Issue Date, the Company shall, immediately prior to the issue of the Optional Bond, deliver a Global Certificate in respect of the Bonds issued on such date.
Indian Taxation.....	Payment of premium and interest on the Bonds made by the Issuer will be made after deduction or withholding in respect of Indian taxation to the extent required by law. The Issuer will gross up the net taxable amount and will be required to account separately to the Indian tax authorities for any withholding taxes applicable to payments attributable to such tax. The Bonds will have the benefit of the tax concessions available under the provisions of Section 115AC of the Income Tax Act, as amended, of India. Under current Indian laws, tax is not payable by the recipients of dividends on Shares.
Selling Restrictions	There are restrictions on the offer, sale and/or transfer of the Bonds in, among others, the United Kingdom, the United States, India, Switzerland, Singapore, France, Hong Kong and Germany. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see “Subscription and Sale”.
Listing	Application has been made for the listing of the Bonds on the Singapore Stock Exchange. The Bonds will trade on the Singapore Stock Exchange in a minimum lot size of US\$200,000 so long as any of the Bonds remain listed on the Singapore Stock Exchange. The Company has applied for the in-principle approval for the Shares issuable upon conversion of the Bonds to be listed on the BSE.
Trustee.....	The Bank of New York, London branch.
Principal Paying and Conversion Agent.....	The Bank of New York, London branch.
Registrar	The Bank of New York
Governing Law	The Bonds will be governed by, and construed in accordance with, English law.
Use of Proceeds.....	The net proceeds of the issue of the Bonds (after the deduction of fees, commissions and expenses) are expected to be approximately US\$38.4 million and will be used by the Issuer as



set out in "Use of Proceeds". The use of the net proceeds shall be in accordance with the end-use restrictions specified by the RBI and the Indian Government.

Bond Identifiers..... ISIN: XS0257326933
Common Code: 025732693

Government of India Approvals The Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through the Depository Receipt Mechanism) Scheme, 1993, as amended, the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, as amended, and the RBI circulars dated 1 July 2005 and 1 August 2005, respectively, permit Indian companies to issue foreign currency convertible bonds above US\$20 million and up to US\$500 million under the "automatic route" (i.e. without the prior approval of the RBI), subject to compliance with certain conditions specified therein. The Issuer is undertaking the present issue of the Bonds in accordance with the guidelines and regulations described above.

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