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Applicable to: - ALL
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Department: - DP OPERATIONS
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Sub: New Policy for Market & Internal Shortages

Dear All,

Please find appended below our new policy on Market & Internal Shortages for your kind perusal and reference;

Market and Internal Shortages

In case of purchase of securities by the Client at times Kellton may be unable to deliver the securities to the client on the payout day due to non-receipt of the securities from the Stock Exchange(s) or due to non-receipt of the securities from another Client of Kellton who has sold the securities against the purchase transaction. In case of short delivery from the Exchange(s), the securities shall be delivered to the Client from the deliveries received from the Exchange(s) and in case of short delivery due to non-receipt of securities from another Client of Kellton, the securities shall be delivered to the client as per the policy of Kellton. The client understands and acknowledges the same and undertakes that it shall not hold Kellton responsible for any loss or damages arising out of the same.

Auction or Closeout in case of Market Shortage

Where the client has sold securities and the delivery of the securities sold is not received on or before the settlement date or the securities are not in deliverable state or due to any reason whatsoever the client is not able to deliver securities and the position is deliverable in the market, the securities will be auctioned or closed out as per rules of the concerned exchange. Consequently, the client will be responsible for any resulting losses and all associated costs including penalty levied by the Exchange(s).

Closeout in case of Internal Shortages

The client hereby agrees that if he/she/it has short delivered any securities against his/her/its pay-in obligation which resulted in Internal Shortage i.e. resulting in failure of delivery of securities to another client of Kellton who purchased the securities and the securities could not be auctioned in the market (self auction) then the close out price will be the **higher of** trade day's closing rate (T day) or 7% above the closing price on settlement (T+2 day) or such other % as may be revised by Kellton from time to time.

Best Regards,
Kuldip Ghosh
Sr.VP & Head - Operations
Kellton Group
Hyderabad