

SISTEMA SHYAM TELESERVICES LIMITED

Regd. Off: B2-D, Shiv Marg, Banipark, Jaipur-302016, Rajasthan.-India

Phone: 91-141-5100510, Fax: 91-141-5100390

NOTICE OF EXTRA ORDINARY GENERAL MEETING

NOTICE is hereby given that an **EXTRA ORDINARY GENERAL MEETING** of the Members of **SISTEMA SHYAM TELESERVICES LIMITED** will be held on Thursday, December 10, 2009 at 11.00 AM at Hotel Fortune Select Metropolitan, Near Nehru Sahkar Bhawan, C-Scheme, Bais Godam Circle, Jaipur-302001, Rajasthan-India to transact the following special businesses:

1. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force) (hereinafter referred to as **“the Act”**) and in accordance with the provisions of the Unlisted Public Companies (Preferential Allotment) Rules, 2003 (hereinafter referred to as **“the Rules”**) and in accordance with the existing guidelines, rules and regulations of the Government of India and any other relevant authority(ies), including but not limited to Reserve Bank of India and Department of Telecommunications, and clarifications issued thereon from time to time, if any, and all other applicable Acts, Rules, Regulations, Guidelines, if any, and subject to the applicable provisions of the Memorandum and Articles of Association of the Company, and subject to all such statutory, regulatory and government approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions or sanctions, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as **“the Board”**, which expression shall be deemed to include any Committee constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution), the consent of the Company be and is hereby accorded to offer, issue and allot on preferential basis, in one or more tranches, up to 228,594,900 (Twenty Two Crores Eighty Five Lacs Ninety Four Thousand Nine Hundred Only) equity shares of nominal value of Rs.10/- (Rupees Ten) each of the Company to the following existing shareholder companies (**“Existing Indian Shareholder Companies”**) in the below mentioned proportion, at par i.e. at the price of Rs.10/- (Rupees Ten) per equity share (**‘Promoters’ Shares’**)

Name of the Existing Indian Shareholder Companies	No. of shares proposed to be issued
Intell Invofin India Private Limited	114,297,450
A. T. Invofin India Private Limited	57,148,725
Cellphone Credit & Securities India Private Limited	57,148,725

FURTHER RESOLVED THAT the Promoters’ Shares shall rank *pari passu* in all respects, including as to the dividend, with the existing equity shares of the Company and shall be issued in the manner and on the terms and conditions as mentioned below:

1. The Promoters’ Shares shall be subscribed and allotted to the Existing Indian Shareholder Companies within 180 calendar days from the date of the shareholder’s approval in this Extra Ordinary General Meeting.
2. The extra/surplus funds, if any, remitted by the Existing Indian Shareholder Companies to the Company in excess of the subscription amount required for subscribing to the Promoters’ Shares shall be refunded/ returned to the subscribers at their cost.
3. The Board of Directors while making allotment of shares pursuant to this approval shall ensure that the issue of shares is made in accordance with the conditions of the Unified Access Services Licences entered into between the Company and Department of Telecommunications, Government of India.

4. Such other terms and conditions, as the Board may deem appropriate in its absolute discretion, subject to applicable laws.’

FURTHER RESOLVED THAT:

- (a) The offer, issue and allotment of the equity shares shall be made at such time or times and in one or more tranches within the prescribed time period as the Board may in its absolute discretion decide.
- (b) The Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or to any Committee of Directors (including the Implementation Committee) or any other officer or officers of the Company to give effect to the aforesaid resolution.
- (c) The Board be and is hereby authorized to take such steps and to do all such acts, deeds, and things, as it may in its absolute discretion consider necessary, expedient, usual, proper or desirable or incidental to give effect to this resolution and settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Promoters’ Shares and to prescribe the forms of application, enter into any agreements or other instruments and to take such actions or give such directions as the Board may consider necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable as the Board may deem fit.”

2. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force) (hereinafter referred to as **“the Act”**) and in accordance with the provisions of the Unlisted Public Companies (Preferential Allotment) Rules, 2003 (hereinafter referred to as **“the Rules”**) and subject to the approval of Foreign Investment Promotion Board as required under the existing FDI Policy, and any other approval as may be required in this regard, and in accordance with the existing guidelines, rules and regulations of the Government of India and any other relevant authority(ies), including but not limited to Reserve Bank of India and Department of Telecommunications, and clarifications issued thereon from time to time, if any, and all other applicable Acts, Rules, Regulations, Guidelines, if any, and subject to the applicable provisions of the Memorandum and Articles of Association of the Company, and subject to all such statutory, regulatory and government approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions or sanctions, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as **“the Board”**), which expression shall be deemed to include any Committee constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution), the consent of the Company be and is hereby accorded to offer, issue and allot on preferential basis, in one or more tranches, up to 662,745,100 (Sixty Six Crores Twenty Seven Lacs Forty Five Thousand One Hundred) equity shares of nominal value of Rs.10/- (Rupees Ten) each of the Company at a price of Rs. 49.31/- (Rupees Fourty Nine and Thirty One Paisa) per equity share, i.e. at a premium of Rs. 39.31/- (Rupees Thirty Nine and Thirty One Paisa) per equity share (**Investor’s Shares**) to the Federal Agency for State Property Management of the Russian Federation (**“Rosimushchestvo”**), for cash, , which equity shares shall rank *pari passu* in all respects, including as to the dividend, with the existing equity shares of the Company, on the following terms and conditions:

1. The Investor’s Shares shall be subscribed and allotted to Rosimushchestvo within 180 calendar days from the date of the shareholder’s approval in this Extra Ordinary General Meeting.
2. The extra/surplus funds, if any, remitted by Rosimushchestvo to the Company in excess of the subscription amount required for subscribing to the Investor’s Shares shall be refunded/ returned to the subscribers at their cost.
3. The Board of Directors while making allotment of equity shares pursuant to this approval shall ensure that the foreign shareholding in the Company shall remain, in all conditions, within the sectoral cap of 74% as prescribed under the extant FDI policy for telecom sector and that the issue of Investor’s Shares is made in accordance with the conditions of the Unified Access Services

Licences entered into between the Company and Department of Telecommunications, Government of India and the approval(s) as may be accorded by Foreign Investment Promotion Board and any other regulatory authority(ies).

4. Such other terms and conditions, as the Board may deem appropriate in its absolute discretion, subject to applicable law'.

FURTHER RESOLVED THAT:

- (a) The offer, issue and allotment of the Investor's Shares shall be made at such time or times and in one or more tranches within the prescribed time period as the Board may in its absolute discretion decide.
- (b) The Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or to any Committee of Directors (including the Implementation Committee) or any other officer or officers of the Company to give effect to the aforesaid resolution.
- (c) The Board be and is hereby authorized to take such steps and to do all such acts, deeds, and things, as it may in its absolute discretion consider necessary, expedient, usual, proper or desirable or incidental to give effect to this resolution and settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment Investor's Shares and to prescribe the forms of application, enter into any agreements or other instruments and to take such actions or give such directions as the Board may consider necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable as the Board may deem fit."

By Order of the Board

For Sistema Shyam Teleservices Limited

Place: Gurgaon

Dated: 31.10.2009

Rashid J. Malik

Company Secretary

NOTES: -

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, ON A POLL, INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DULY COMPLETED, STAMPED & SIGNED, AND MUST BE SENT SO AS TO REACH THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE EXTRA – ORDINARY GENERAL MEETING.
2. Members / Proxies are requested to produce the enclosed attendance slip duly signed as per the specimen signature recorded with the Company for admission to the meeting hall. Members, who hold shares in Dematerialized Form, are requested to bring their Client – ID & DP – ID numbers for easier identification of attendance at the meeting.
3. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Extra – Ordinary General Meeting.
4. Members desirous of getting any information from the Company are requested to send their queries to the Company at its Registered Office well in advance so that the same may reach at least 7 days before the date of the Meeting to enable the management to keep the required information, readily available at the Meeting.
5. Members are requested to immediately intimate the change of their address, if any, along with pin-code numbers to the Registered Office of the Company quoting their Folio Numbers, and members holding shares in electronic form may inform the same to their Depository Participants.
6. The documents referred to in the Notice and the accompanying Explanatory Statement i.e. Memorandum and Articles of Association, etc. are open for inspection at the Head Office of the Company i.e. Rainbow Towers, 3, Amrapali Circle, Vaishali Nagar, Jaipur, Rajasthan-INDIA during

the office hours between 10:00 A.M. to 12:00 NOON on all working days up to the date of the Extra – Ordinary General Meeting and shall also be available at the venue of the Meeting.

7. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business set out in the notice is annexed hereto.
8. 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.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item Nos.1 & 2

The Company has obtained Unified Access Services Licenses (UASLicenses) from the Department of Telecommunications (DoT) for all 22 circles, to become Pan-India Operator. The DoT has allotted Start up Spectrum to the Company for CDMA based mobility for all the Circles. The Company has also obtained in-principle approval to use GSM technology under the existing UASL License for Rajasthan Circle.

The Company is currently operating in eight telecom circles of India and as per the Business Plan the Company is in immediate need of huge funds for establishing the telecom network operations in remaining telecom circles of India. To meet the funds requirement, the Company has to exercise both the options of funding i.e. debt and also the infusion of equity. The option of arranging funds through debt depends upon the equity base of the Company which requires to be increased immediately as in absence of adequate equity base; the Banks/FIs/Lenders always express their reluctance to provide debt.

The total debt exposure of around Rs. 22.58 billion and accumulated losses of approx. Rs. 12.12 billion as at March 31, 2009 have already eroded almost 50% of the net worth of the Company. Any additional debt financing and losses of the current financial year would further drain the net-worth substantially. Therefore, it becomes essential to infuse fresh equity capital to restrain any further downslide in the net-worth and to improve the creditworthiness of the Company and thereby increasing the book value per equity share of the Company. Further, due to urgency of the funds requirement and paucity of time frame, it is imperative to issue fresh equity shares via Preferential Allotment Basis as the other modes of raising the funds would require considerable time. The infusion of the fresh equity will enable the Company to swiftly implement the pan India roll out thereby providing the enhanced value to the investment of all stake holders including minority shareholders.

The SSTL previously has arranged substantial foreign funds in the telecom sector of India and has been trying to arrange more funds through FDI for the network establishment in various telecom circles. Accordingly, the foreign promoters of the Company i.e. SISTEMA Joint Stock Financial Corporation (Sistema JSFC) approached the Russian Federation for additional financial support to the Company. Sistema JSFC has made unbendable efforts to make the Russian Federation agree in principally for an investment of the Rupee equivalent of upto USD 676 Million in the equity of the Company through its official executive agency i.e. the Federal Agency for State Property Management (“**Rosimushchestvo**”) and were also able to negotiate and obtain a better per share value for the proposed investment by Rosimushchestvo in the Company. As a result the new shares are proposed to be issued to Rosimushchestvo at a price of Rs. 49.31/- (Rupees Forty Nine and Thirty One Paisa) per equity share, i.e. at a premium of Rs. 39.31/- (Rupees Thirty Nine and Thirty One Paisa) per equity share.

Apart from arranging funds from foreign investors, the Indian Promoters of the Company have also agreed to inject fresh funds into the Company by way of equity participation.

The new investment by Rosimushchestvo and the Indian Promoters in the equity of the Company will not only play a significant role in amplifying the net-worth of the Company but will also result in enabling the Company to arrange for fresh debt from the Banks/FIs/Lenders.

Accordingly, it is proposed to offer, issue and allot, on preferential basis, up to 228,594,900 (Twenty Two Crores Eighty Five Lacs Ninety Four Thousand Nine Hundred Only) equity shares of nominal value of Rs.10/- (Rupees Ten) each of the Company to certain existing Indian shareholder companies (**Promoters' Shares**) and up to 662,745,100 (Sixty Six Crores Twenty Seven Lacs Forty Five Thousand One Hundred) equity shares of nominal value of Rs.10/- (Rupees Ten) each of the Company at a price of Rs. 49.31/- (Rupees Forty Nine and Thirty One Paisa) per equity share, i.e. at a premium of Rs. 39.31/- (Rupees Thirty Nine and Thirty One Paisa) per equity share to Rosimushchestvo (**Investor's Shares**)

The Board believes that the proposed issue and allotment will be in the best interest of the Company and its all members including the minority shareholders.

As on date, the paid up share capital of the Company is Rs. 24,559,575 000/- and the authorised share capital is Rs. 6,000 crores (Rs. 60 billion) divided into 600 crores (6 billion) equity shares of Rs. 10/- each. Hence, the proposed issue of new equity shares will be within the authorised share capital of the Company.

Information under Rule 6 of the Unlisted Public Companies (Preferential Allotment) Rules, 2003:

A. Price/ Price Band at which the allotment is proposed

The Investor's shares are proposed to be issued at a price of Rs. 49.31/- (Rupees Forty Nine and Thirty One Paisa) per equity share, i.e. at a premium of Rs. 39.31/- (Rupees Thirty Nine and Thirty One Paisa) per equity share. The Promoters' Shares are proposed to be issued at par i.e. at a price of Rs. 10/-.

B. Relevant Date

As per the certificate issued by M/s. Vishnoi Manoj & Associates, an Independent Firm of Chartered Accountants, New Delhi, the present fair value of shares is Rs. 6.38/- per equity share. They have calculated the valuation in accordance with the guidelines issued by erstwhile Controller of Capital Issues (CCI) based on the latest available audited annual accounts of the Company i.e. for the financial year ended on 31st March, 2009.

The date of the certificate i.e. October 27, 2009 has been taken to be the Relevant Date for the purpose of this proposed preferential issue.

C. Objects of the issue through preferential offer

To raise funds to meet the immediate funds requirements for operation of existing eight telecom circles and rolling out the telecom network in the remaining telecom circles under the first phase of Pan India roll out plan of the Company.

D. Class / Classes of persons to whom the allotment is proposed to be made:

The allotment is proposed to be made to following entities:

S. No.	Name of proposed allottees	Category	No. of shares to be allotted
1	The Federal Agency for State Property Management (" Rosimushchestvo ") of Russian Federation	Non Promoter (New Foreign Investor)	662,745,100
2	Intell Invofin India Private Limited	Existing Promoter (Indian)	114,297,450
3	A. T. Invofin India Private Limited	Existing Promoter (Indian)	57,148,725
4	Cellphone Credit & Securities India Private Limited	Existing Promoter (Indian)	57,148,725

The proposed allottee at serial number 1 above, i.e. Rosimushchestvo, is an Executive Agency of the Russian Federation for the management of State Property having its office at Nikolskiy Pereulok, 9 Moscow, 109012, Russia.

The proposed allottees at serial number 2 to 4 above are the Indian Companies incorporated under the provisions of the Companies Act, 1956 and having their registered offices at A-60, Naraina Industrial Area, Phase-I, New Delhi ("**Existing Indian Shareholder Companies**").

E. Intention of the Promoters/Directors/Key Management Persons to subscribe the offer:

The proposed allottees of upto 228,594,900 equity shares i.e. Promoters' Shares are the existing shareholders/promoters of the Company. No Director/Key Management Person has an intention to subscribe to the offer, except that certain promoters / directors / key management personnel of the Company are also common in the Existing Indian Shareholder Companies.

F. Shareholding pattern of promoters and other classes of shares before and after the offer:

Pattern of promoters and other classes of shareholders as on the date of Notice & after the private placement (based on shareholding pattern as on 31.10.2009):

		Shareholding As on the date of Notice		Shareholding Pattern After Preferential Allotment	
	PAID UP SHARE CAPITAL	Rs. 24559575000/-		Rs. 33472975000/-	
Sl. No.	Category of Shareholder	No. of Shares	% of holding	No. of Shares	% of holding
A	PROMOTERS HOLDING				
	Indian				
	Individuals/HUF	2317050	0.094	2317050	0.069
	Bodies Corporate	581995155	23.697	810590055	24.216
	Foreign				
	Sistema, JSFC	1810289400	73.710	1810289400	54.082
	Total	2394601605	97.502	2623196505	78.367
B	PUBLIC HOLDING				
	Indian				
	Indian Institutions/ Banks/ MF	57207	0.002	57207	0.002
	Indian Bodies Corporate	9157546	0.373	9157546	0.274
	Individuals/Trust etc.	51526027	2.098	51526027	1.539
	Foreign				
	Foreign Institutions/ Banks	4596	0.000	4596	0.000
	Foreign Govt. Agency	-	-	662745100	19.800
	NRI / OCB	610519	0.025	610519	0.018
	Total	61355895	2.498	724100995	21.633
	GRAND TOTAL	2455957500	100	3347297500	100
	Total Indian Shareholding	645052985	26.265	873647885	26.10
	Total Foreign Shareholding	1810904515	73.735	2473649615	73.90

G. Proposed time within which the allotment shall be completed:

The proposed shares shall be subscribed and allotted within 180 calendar days from the date of approval of shareholders in the Extra-ordinary General Meeting, subject to the receipt of approvals from the Foreign Investment and Promotion Board, Reserve Bank of India and other regulatory authorities, as may be required.

H. Whether a change in control is intended or expected:

No change in the control of the Company is intended or expected from the proposed preferential issue.

A copy of the Certificate of practicing Company Secretary certifying that the issue of the Promoters' Shares and Investor's Shares is being made in accordance with the requirements of Unlisted Public Companies (Preferential Allotment) Rules, 2003, has been obtained and shall be placed before the Extra Ordinary General Meeting.

Your Directors commend the resolution proposed at Item no. 1 and 2 for the approval of shareholders by way of a Special Resolution.

All the Directors except Mr. Suman Sehgal & Mr. Madhukar are interested in the resolution up to the extent of being a Promoter Director or Sistema Director or the common directors / promoters / key management personnel of the Existing Indian Shareholder Companies.

By Order of the Board
For **Sistema Shyam TeleServices Limited**

Place: Gurgaon
Dated: 31.10.2009

Rashid J Malik
Company Secretary