

**SCHEME OF AMALGAMATION**  
(UNDER SECTIONS 391 TO 394 AND OTHER APPLICABLE PROVISIONS  
OF THE COMPANIES ACT, 1956)  
**OF**  
**ZYG PHARMA PRIVATE LIMITED**  
**WITH**  
**TORRENT PHARMACEUTICALS LIMITED**  
**AND**  
**THEIR RESPECTIVE SHAREHOLDERS AND THE CREDITORS**

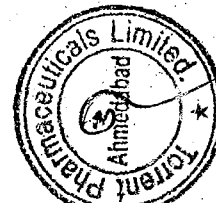
This Scheme of Amalgamation provides for:

Amalgamation of Zyg Pharma Private Limited with Torrent Pharmaceuticals Limited pursuant to Sections 391 to 394 and other applicable provisions of the Companies Act, 1956.

**A DESCRIPTION OF THE COMPANIES**

(a) Zyg Pharma Private Limited (hereinafter referred to as "ZPPL" or "Transferor Company") is a Private Limited Company incorporated under the provisions of the Companies Act, 1956 having its registered office at 405-8, B Wing, Navbharat Estate, Zakaria Bunder Road, Sewri (West), Mumbai - 400 016 in the State of Maharashtra, However, the company is in process of obtaining requisite approval for shifting the same to the State of Gujarat. Transferor Company is a wholly owned subsidiary of Torrent Pharmaceuticals Limited. It is engaged in manufacturing various dermatological formulations like creams, ointments, gels, lotions and solutions. The manufacturing facilities are situated at Pithampur, Dist- Dhar, Madhya Pradesh.

(b) Torrent Pharmaceuticals Limited (hereinafter referred to as "Torrent Pharma" or the "Transferee Company") is a Public

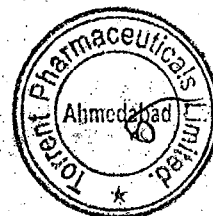


Company incorporated under the provisions of the Companies Act, 1956 having its registered office at Torrent House, Off Ashram Road, Ahmedabad - 380 009, in the State of Gujarat. Shares of the Transferee Company are listed on National Stock Exchange of India Limited and BSE Limited. The Transferee Company is one of the leading pharma companies of the Country engaged in the business of manufacturing drugs and pharmaceuticals in the speciality fields of cardiovascular (CV) and central nervous system (CNS) and has achieved significant presence in gastro-intestinal, diabetology, anti-infective and pain management segments. It has also forayed into the therapeutic segments of nephrology and oncology while also strengthening its focus on gynecology and pediatric segments. The Company has its manufacturing operations in the States of Gujarat, Sikkim and Himachal Pradesh. It also operates through its subsidiaries in several Countries around the world. The Company is in the process of putting up one more manufacturing facility at Dahej, Gujarat exclusively for its export operations.

## **B RATIONALE FOR AMALGAMATION**

- (a) The Transferor Company is a wholly owned subsidiary of the Transferee Company. In view of similar business of the Transferor Company and the Transferee Company, it is proposed to consolidate the activities of these Companies by way of amalgamation of the Transferor Company with the Transferee Company.

- (b) The proposed amalgamation would result in:



- Concentrated management focus and synergies of operations
- Facilitating inter transfer of resources and optimum utilisation of assets;
- Reduction in multiplicity of legal and regulatory compliances;
- Uniform corporate policies
- Effectively addressing emerging challenges of enhanced competitive scenario in the markets in which the company is operating.

thereby enhancing shareholders' value and would be in the long term interest of all the stakeholders.

## **1. DEFINITIONS AND INTERPRETATION**

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the meanings ascribed against them:

- 1.1 **"Act"** means the Companies Act, 1956 and/or the Companies Act, 2013 as in force from time to time; it being clarified that as on the date of approval of this Scheme by the Boards of Directors of the Transferor Company and Transferee Company, Section 391 and 394 of the Companies Act, 1956 continue to be in force with the corresponding provisions of the Companies Act, 2013 not having been notified. Accordingly, references in this Scheme to particular provisions of the Act are references to particular provisions of the Companies Act, 1956. Upon such provisions standing re-enacted by enforcement of provisions of Companies Act, 2013, such references shall, unless a different intention appears, be construed as reference to the provisions so re-enacted.

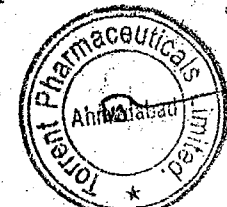


- 1.2 **"Applicable Law"** shall mean any statute, notification, bye laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or instructions having the force of law enacted or issued by any Appropriate Authority including any statutory modification or re-enactment thereof for the time being in force.
- 1.3 **"Appointed Date"** means the opening hours of the business on 1<sup>st</sup> October, 2015.
- 1.3 **"Appropriate Authority"** means any governmental, statutory, departmental or public body or authority in India, including Securities and Exchange Board of India; Stock Exchanges in India; Registrar of Companies, Company Law Board in India, Competition Commission of India, National Company Law Tribunal in India (**"NCLT"**), the High Court of Gujarat.
- 1.4 **"Board of Directors" or "Board"** shall mean the Board of Directors of Transferee Company or Transferor Company as the case may be or any Committee thereof duly constituted or any other person duly authorised by the Board for the purpose of this Scheme;
- 1.5 **"Effective Date"** means the date on which all the conditions and matters referred to in the Scheme including Clause 17 have been fulfilled.
- 1.6 **"High Court" or "Court"** means the Hon'ble High Court of Gujarat or the NCLT as the case may be.
- 1.7 **"Lender" or "Lenders"** means any person or entity that has granted or will grant any credit facility whether fund based or



non-fund based and whether secured or unsecured, to the Transferor Company or the Transferee Company.

- 1.8 **"Scheme", "the Scheme", "this Scheme"** means this scheme of amalgamation in its present form submitted to the High Court or any other Appropriate Authority in the relevant jurisdictions with any modification thereof as the High Court or any other Appropriate Authority may direct.
- 1.9 **"SEBI Circular"** means the circular number CIR/CFD/DIL/5/2013 dated February 4, 2013 read with circular number CIR/CFD/DIL/8/ 2013 dated May 21, 2013 and CIR/CFD/DIL/1/2014 dated March 25, 2014 (which provides clarifications with respect to the aforementioned circular), issued by the Securities and Exchange Board of India;
- 1.10 **"the Undertaking"** shall mean and include all the business, undertakings, properties, investments and liabilities of whatsoever nature and kind and wheresoever situated, of the Transferor Company, on a going concern basis, together with all the assets and liabilities and employees and shall mean and include (without limitation):
- (a) all assets and properties, whether movable and immovable (whether freehold, leasehold or otherwise), tangible or intangible, including all rights, title and interest in connection with the land and buildings thereon whether corporeal or incorporeal, leasehold or otherwise, plant and machinery, fixed or movable, and whether leased or otherwise, capital work in progress including expenses incurred to be capitalized and advances for assets, equipment, furniture, fixtures, vehicles, stocks and inventory, any other leasehold assets and other properties, real, corporeal and incorporeal, in possession or



reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, other fixed assets, current assets including loans, advances, inventory and work in progress cash in hand, amounts lying in the banks to the credit of the Transferor Company, investments, claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, contracts, engagements, arrangements, rights, credits, titles, interests, benefits, club memberships, advantages, leasehold rights, Development Rights including advances paid to any parties for acquisition of development rights, brands, sub-letting tenancy rights, with or without the consent of the landlord as may be required by law, goodwill, other intangibles, industrial and other licenses including licenses for electricity transmission and distribution, sales tax and excise duty licenses, and also with export-import authority including advance licenses and all other licenses, duty entitlement pass books, duty refund against export obligations, permits, authorisations, trademarks, trade names, patents, patent rights, copyrights, and other industrial and intellectual properties and rights of any nature whatsoever including know-how, domain names, or any applications for the above, assignments and grants in respect thereof, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits,



exemptions, licenses, privileges concerning the business of the Transferor Company and approvals of whatsoever nature (including but not limited to benefits of all tax holiday, tax relief/benefit available/to be available to the eligible units including under the Income Tax Act, 1961 such as credit for advance tax, taxes deducted/ collected at source, brought forward accumulated tax losses, unabsorbed depreciation, Minimum Alternate Tax Credit ("MAT"), deduction under Chapter VI-A for the eligible period) and wheresoever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Transferor Company as on the Appointed Date or any other benefits and advantages of whatsoever nature and wheresoever situated belonging to or in the ownership, power, use or possession and in the control of or vested in or granted in favour of or enjoyed by the Transferor Company;

- (b) All the debts, liabilities, duties and obligations including contingent liabilities, present or future, whether secured or unsecured, of the Transferor Company as on the Appointed Date; and
- (c) All books, records, files, papers, engineering and process information, records of standard operating procedures, computer programmes along with their licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, in connection with or relating to the Transferor Company.



(d) all permanent employees, staff and workmen of Transferor Company.

## 2. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme shall have legal effect and force from the Appointed Date but shall be operative from the Effective Date.

## 3. SHARE CAPITAL OF THE COMPANIES

3.1 The share capital of Transferor Company as on 31<sup>st</sup> March 2015 is as under:

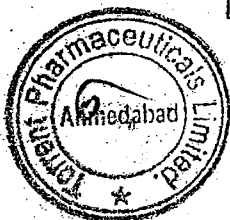
	Value in Rs.
<b>AUTHORISED SHARE CAPITAL</b>	
13,00,000 Equity Shares of Rs. 10/- each	1,30,00,000
<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>	
1,61,160 Equity shares of Rs. 10/- each fully paid up	16,11,600

After 31 March 2015, there has been no change in the authorised, issued, subscribed and paid-up share capital of Transferor Company.

The entire paid up share capital of Transferor Company is held by the Transferee Company and its nominees and the Transferor Company is therefore a wholly owned subsidiary of the Transferee Company.

3.2 The share capital of Transferee Company as on 31 March 2015 is as under:

	Rs. (in crores)
<b>AUTHORISED SHARE CAPITAL</b>	
200,000,000 Equity Shares of Rs. 5/- each	100.00





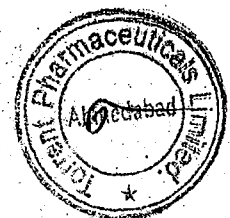
2,500,000 Preference Shares of Rs. 100/- each	25.00
Total	125.00
<b>ISSUED SHARE CAPITAL</b>	
169,236,720 Equity Shares of Rs. 5/- each	84.62
<b>SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>	
169,222,720 Equity Shares of Rs. 5/- each fully paid up	84.62

Note: 14,000 Equity shares were required to be forfeited due to the non payment of the call money.

After 31<sup>st</sup> March 2015, there has been no change in the authorised, issued, subscribed and paid-up share capital of Transferee Company.

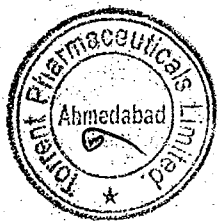
#### 4. **TRANSFER AND VESTING OF THE UNDERTAKING**

4.1 Upon the Scheme being effective and subject to the provisions of this Scheme in relation to the mode of transfer and vesting, the Undertaking of the Transferor Company shall, without any further act, instrument or deed, be and stand transferred to and vested in, and/or be deemed to have been and stand transferred to and vested in Transferee Company, so as to become on and from the Appointed Date, the estate, assets, rights, title, interest and authorities of Transferee Company, pursuant to Section 394(2) of the Act, subject however, to all charges, liens, mortgages, then affecting the Transferor Company or any part thereof, and which shall be deemed to have been vested in Transferee Company by virtue of the amalgamation. After coming into effect of this Scheme in cases where the required security has not been created and in such case if the terms thereof require, Transferee Company will create the security in terms of the issue or arrangement in relation thereto.



4.2 Upon the Scheme being effective, with respect to the assets forming part of the Undertaking of the Transferor Company that are movable in nature or are otherwise capable of being transferred by manual delivery or by paying over or endorsement and/or delivery, the same shall stand transferred and vest in, without any further act or execution of an instrument with the intent of vesting such assets in Transferee Company as on the Appointed Date. The vesting pursuant to this sub-clause shall be deemed to have occurred by manual delivery or endorsement and delivery, as appropriate to the property being vested, and the title to such property shall be deemed to have transferred and vested accordingly. No stamp duty shall be payable on the transfer of such movable properties (including shares and other investments, which are in dematerialised form) upon its transfer and vesting in Transferee Company.

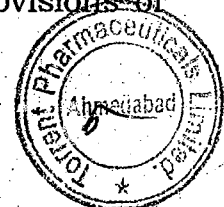
4.3 Subject to the provisions of Clause 4.4 below, with respect to the assets of the Undertaking of the Transferor Company other than those referred to in Clause 4.2 above, including sundry debtors, receivables, bills, credits, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances, development rights, advances paid to any parties for acquisition of development rights, earnest money and deposits, if any, with government, semi-government, local and other authorities and bodies or with any company or other person, the same shall, without any further act, instrument or deed, be transferred to and vested in and/or be deemed to be transferred to and vested in Transferee Company on the Effective Date pursuant to the provisions of Section 394 of the Act, with effect from the Appointed Date. It is hereby clarified that all the investments made by Transferor Company and all the rights, title



and interests of Transferor Company in any leasehold properties in relation to the Undertaking of the Transferor Company shall, pursuant to Section 394(2) of the Act and the provisions of this Scheme, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in Transferee Company.

4.4 Upon the Scheme being effective, with respect to the immovable properties (including land, buildings and any other immovable property) comprised in the Undertaking of the Transferor Company and situated within the State of Madhya Pradesh whether owned or leased, and any documents of title, rights and easements in relation thereto, and forming part of the Undertaking of the Transferor Company, shall stand transferred and vest in the Transferee Company, without any act or deed done by the Transferor Company or the Transferee Company, and without any approval or acknowledgement of any third party. With effect from the Appointed Date, the Transferee Company shall be entitled to exercise all rights and privileges and be liable to pay all taxes and charges, and fulfil all obligations, in relation to or applicable to such immovable properties. The mutation/substitution of the title to such immovable properties shall be made and duly recorded in the name of the Transferee Company by the appropriate authorities pursuant to the sanction of the Scheme by the Court and the Scheme becoming effective in accordance with the terms hereof. The Transferor Company shall take all steps as may be necessary to ensure that lawful, peaceful and unencumbered possession, right, title, interest of their immovable property is given to the Transferee Company.

4.5 For the avoidance of doubt, it is clarified that upon the coming into effect of this Scheme, in accordance with the provisions of



relevant laws, consents, permissions, licences, certificates, authorities (including for the operation of bank accounts), powers of attorney given by, issued to or executed in favour of Transferor Company, and the rights and benefits under the same shall, and all quality certifications and approvals, trademarks, brands, patents and domain names, copyrights, industrial designs, trade secrets and other intellectual property and all other interests relating to the goods or services being dealt with by Transferor Company, be transferred to and vested in Transferee Company.

4.6 Upon the Scheme being effective and subject to the other provisions of the Scheme, all contracts, deeds, bonds, agreements and other instruments of whatsoever nature to which Transferor Company is a party subsisting or having effect on or immediately before the Effective Date shall remain in full force and effect against or in favour of Transferee Company and shall be binding on and be enforceable by and against Transferee Company as fully and effectually as if Transferee Company had at all times been a party thereto. Any inter-se contracts between the Transferor Company on one hand and Transferee Company on the other hand shall stand cancelled and cease to operate in the Transferee Company upon the coming into effect of this Scheme. It is clarified that upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature entered into between the Transferor Company and Transferee Company be treated as cancelled and shall cease to operate.

4.7 In so far as the various incentives, tax exemption and benefits, subsidies, grants, special status and other benefits or privileges enjoyed including in respect of income tax (including Minimum

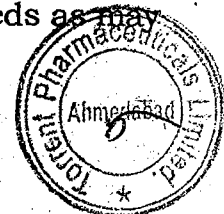


Alternative Tax), excise (including Modvat / Cenvat), customs, VAT, sales tax, service tax etc., granted by any Appropriate Authority, or availed of by the Transferor Company are concerned, the same shall, without any further act or deed, vest with and be available to the Transferee Company on the same terms and conditions with effect from Appointed Date upon the Scheme being effective.

4.8 Upon the Scheme being effective, all debts, liabilities, duties and obligations of the Transferor Company as on the close of business on the day immediately preceding the Appointed Date and all other debts, liabilities, duties and obligations of the Transferor Company which may accrue or arise from the Appointed Date but which relate to the period up to the day immediately preceding the Appointed Date, shall become the debts, liabilities, duties and obligations of the Transferee Company.

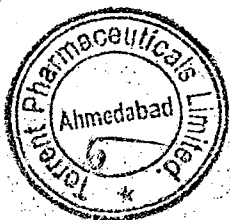
4.9 Upon the Scheme being effective, where any of the liabilities and obligations attributed to the Transferor Company on the Appointed Date has been discharged by it after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on behalf of the Transferee Company. Where after the Appointed Date, the Transferor Company has taken any further loans, liabilities or obligations, such further loan shall also be deemed to have been for and on behalf of the Transferee Company and the Transferee Company will assume liability for the same.

4.10 Without prejudice to the provisions of the foregoing Clauses, and upon the Scheme becoming effective, the Transferor Company and the Transferee Company shall execute any instruments or documents or do all the acts and deeds as may



be required, including filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies, Gujarat and other relevant Appropriate Authorities to give formal effect to the above provisions.

- 4.11 If and to the extent there are loans, deposits or balances inter-se between the Transferor Company and the Transferee Company, the obligations in respect thereof shall, on and from the Appointed Date, come to an end and suitable effect shall be given in the books of the Transferee Company upon the Scheme being effective. For removal of doubts, it is hereby clarified that with effect from the Effective Date, there would be no accrual of interest or other charges in respect of any such loans, deposits or balances inter-se between the Transferor Company and the Transferee Company from the Appointed Date.
- 4.12 With effect from the Effective Date, there would be no accrual of income or expense on account of any transactions, including inter alia any transactions in the nature of sale or transfer of any goods, materials or services between the Transferor Company and Transferee Company from the Appointed Date.
- 4.13 Upon the Scheme being effective, any tax liabilities under the Income Tax Act, 1961, fringe benefit tax laws, Customs Act, 1962, Central Excise Act, 1944, value added tax laws, entertainment tax as applicable in any State in which Transferor Company operates, Central Sales Tax Act, 1956, any other State Sales Tax / Value Added Tax laws, or Service Tax, or Corporation Tax, or other applicable laws/ regulations dealing with taxes/ duties/ levies/cess (hereinafter in this Clause referred to as "**Tax Laws**") to the extent not provided for or covered by tax provision in the Transferor Company'

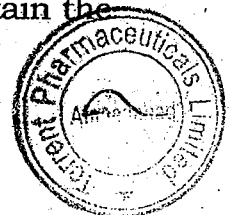


accounts made as on the date immediately preceding the Appointed Date shall be transferred to Transferee Company. Any surplus in the provision for taxation/ duties/ levies account including advance tax and tax deducted/collected at source as on the date immediately preceding the Appointed Date will also be transferred to the account of and belong to the Transferee Company.

4.14 Any amount including refund under the Tax Laws due to the Transferor Company consequent to the assessment proceedings or otherwise and which have not been received by the Transferor Company as on the date immediately preceding the Appointed Date shall also belong to and be receivable by the Transferee Company upon the Scheme being effective.

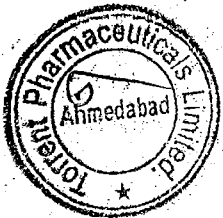
4.15 Without prejudice to the generality of the above, all benefits including under Tax Laws, to which the Transferor Company is entitled to in terms of the applicable Tax Laws of the Union and State Governments, shall be available to and vest in the Transferee Company upon the Scheme being effective.

4.16 Upon the coming into effect of this Scheme, all debts, liabilities, duties and obligations of the Transferor Company shall, pursuant to the provisions of Section 394(2) and other applicable provisions of the Act, without any further act, instrument or deed be and stand transferred to and vested in and/or deemed to have been transferred to and vested in Transferee Company, so as to become on and from the Appointed Date, the debts, liabilities, duties and obligations of Transferee Company on the same terms and conditions as were applicable to the Transferor Company and further that it shall not be necessary to obtain the



consent of any person who is a party to contract or arrangement by virtue of which such liabilities have arisen in order to give effect to the provisions of this Clause.

- 4.17 Pursuant to this Scheme becoming effective, the Transferee Company shall be entitled to secure the record of the change in the legal ownership upon the vesting of the Undertaking of the Transferor Company in accordance with the provisions of Sections 391 to 394 of the Act. The Transferor Company and the Transferee Company shall be jointly and severally Authorised to execute any writings and / or carry out any formalities or compliance or do any act, thing or deed in this regard.
- 4.18 Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Undertaking of the Transferor Company occurs by virtue of this Scheme, the Transferee Company may, at any time after the coming into effect of this Scheme, in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which any of the Transferor Company are a party or any writings as may be necessary in order to give formal effect to the provisions of this Scheme. The Transferee Company shall under the provisions of this Scheme, be deemed to be authorized to execute any such writings on behalf of the Transferor Company to carry out or perform all such formalities or compliances referred to above on the part of any of the Transferor Company, as the case may be, to be carried out or performed.





## 5. PERMITS, CONSENTS AND LICENSES

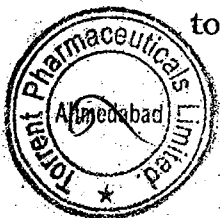
5.1 All the licenses, permits, quotas, approvals (including, but not limited to, environmental approvals, statutory and regulatory approvals), no-objection certificates, incentives, permissions, registrations, tax exemptions, accumulated tax losses, MAT Credit entitlement, tax benefits including benefits under Chapter VI A of Income Tax Act, 1961, concessions or deferrals, subsidies, rights, claims, leases, tenancy rights, liberties, rehabilitation schemes, special status and other benefits or privileges enjoyed or conferred upon or held or availed by and all rights and benefits that have accrued or may accrue to the Transferor Company before or after the Appointed Date and prior to the Effective Date in connection with or in relation to the operation of the Undertaking of the Transferor Company, pursuant to the provisions of Section 394(2) of the Act and all other applicable provisions, if any, shall without any further act, instrument or deed, cost or charge, be transferred to and vest in or be deemed to have been transferred to and vested in and be available to the Transferee Company so as to become on and from the Appointed Date the licenses, permits, quotas, approvals (including, but not limited to, environmental approvals, statutory and regulatory approvals), no-objection certificates, incentives, permissions, registrations, tax exemptions, accumulated tax losses, MAT Credit entitlement, tax benefits including benefits under Chapter VI A of Income Tax Act, 1961, concessions or deferrals, subsidies, rights, claims, leases, tenancy rights, liberties, rehabilitation schemes, special status and other benefits or privileges of the Transferee Company and shall remain valid, effective and enforceable on the same terms and conditions to the extent permissible in law.



5.2 Upon the Effective Date and until the licenses, permit, quotas, approvals, (including, but not limited to, environmental approvals, statutory and regulatory approvals), no-objection certificates, incentives, permissions, registrations, tax exemptions, accumulated tax losses, MAT Credit entitlement, tax benefits including benefits under Chapter VI A of Income Tax Act, 1961, concessions or deferrals, subsidies, rights, claims, leases, tenancy rights, liberties, rehabilitation schemes, special status are transferred, vested, recorded effected and / or perfected, in the record of the Appropriate Authority, in favor of the Transferee Company, the Transferee Company is authorized to carry on business in the name and style of the Transferor Company and under the relevant license and/ or permit and/ or approval, as the case may be, and the Transferee Company shall keep a record and/or account of such transactions, as if the Transferor Company have not been wound up.

#### **6. EMPLOYEES, STAFF AND WORKMEN**

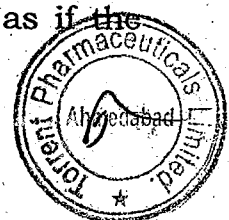
Upon transfer to and vesting of the Undertaking of the Transferor Company unto the Transferee Company taking place, as provided herein, the Transferee Company undertakes to engage on and from the date on which this Scheme becomes operative all the employees, staff and workmen of Transferor Company on the same terms and conditions on which they are engaged by the Transferor Company without any interruption of service as a result of the transfer and vesting of the Undertaking of the Transferor Company into Transferee Company. The Transferee Company agrees that the services of all such employees, staff and workmen with the Transferor Company prior to the transfer and vesting of the Undertaking of the Transferor Company into the Transferee Company shall be taken into account for the purposes of all benefits to which the said employees may be eligible, including for the



purpose of payment of any retrenchment compensation, gratuity and other terminal benefits and to this effect the accumulated balances, if any, standing to the credit of the employees in the existing provident fund, gratuity fund, and superannuation fund of which they are members will be transferred to such provident fund, gratuity fund, superannuation funds, or such other special funds or trusts created for the benefit of the staff, workmen or employees nominated by the Transferee Company and/or such new provident fund, gratuity fund, superannuation fund, or such other special funds or trusts created for the benefit of the staff, workmen or employees to be established and caused to be recognised by the concerned authorities by the Transferee Company. Pending the transfer as aforesaid, the provident fund, gratuity fund and superannuation fund dues of the employees would be continued to be deposited in the existing provident fund, gratuity fund, superannuation fund, or such other special funds or trusts respectively.

## **7. LEGAL PROCEEDINGS**

7.1 Upon the Scheme being effective, if any suit, cause of actions, appeal or other legal, quasi-judicial, arbitral or other administrative proceedings of whatever nature (hereinafter called "**the Proceedings**") by or against the Transferor Company be pending before the Effective Date, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer of the Undertaking of the Transferor Company pursuant to this scheme or by anything contained in the Scheme, but the Proceedings may be continued, prosecuted and enforced by or against the Transferee Company in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor Company as if the



Scheme had not been made. On and from the Effective Date, the Transferee Company shall and may initiate any legal proceedings which were earlier in the name of the Transferor Company.

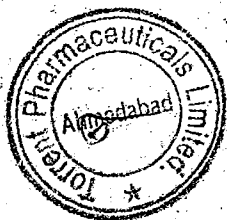
7.2 The transfer and vesting of the Undertaking of the Transferor Company under the Scheme and the continuance of the proceedings by/ or against the Transferee Company under Clause 4.1 shall not affect any transaction or proceeding already completed by the Transferee Company on and after the Appointed Date and prior to this Scheme becoming effective to the end and intent that the Transferee Company accepts all acts, deeds and things done and executed by and/or on behalf of the Transferor Company as acts, deeds and things done and executed by and on behalf of the Transferee Company.

#### **8. CONSIDERATION**

Since the entire share capital of the Transferor Company is held by the Transferee Company, it is the wholly owned subsidiary of the Transferee Company. Upon the Scheme becoming effective, the entire share capital of the Transferor Company shall get automatically cancelled/ extinguished. The Transferee Company shall not be required to issue and allot any shares against these shares as the Transferee Company along with its nominees is the only shareholder of the said Transferor Company.

#### **9. TREATMENT OF SCHEME FOR THE PURPOSES OF THE INCOME TAX ACT, 1961**

This Scheme complies and comes within the definition and conditions relating to "Amalgamation" as specified under Section 2(1B), Section 47 and other relevant sections of the Income Tax Act, 1961. The carried forward losses and depreciation under Income Tax



Act, 1961 of the Transferor Company, if any, would be carried forward and available to the Transferee Company subject to provisions of Income Tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Sections of the Income Tax Act, 1961, at a later date, including resulting from an amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the Scheme shall stand modified / amended to the extent determined necessary to comply and come within the definition and conditions relating to "Amalgamation" as specified in the Income Tax Act, 1961. In such an event the clauses which are inconsistent shall be modified or if the need arises be deemed to be deleted and such modification / deemed deletion shall however not affect the other parts of the Scheme. The power to make such amendments as may become necessary shall vest with the Board of Directors of the Transferee Company and the Transferor Company, which power shall be exercised reasonably in the best interests of the companies concerned.

## **10. DIVIDENDS**

Following provisions will apply with regard to any distribution or declaration or payment of dividend or interim dividend, as the case may be, by the Board of Directors of the Transferee Company:

- 10.1 The Transferee Company shall be entitled to declare and pay dividends subject to the provisions of the Act to its shareholders out of the profits available for distribution as dividend for the accounting period prior to the Appointed Date where such declaration of dividend is on or before the sanction of the Scheme by the Board of Directors at the Board Meeting.



10.2 The Transferor Company may declare and pay dividend subject to the provisions of the Act, to its equity shareholders for the accounting period commencing on or after the Appointed Date but prior to the Effective Date provided the Board of Directors of the Transferor Company has obtained the prior consent and approval of the Board of Directors of the Transferee Company before making such declaration or payment to the members of the Transferor Company.

10.3 Subject to the provisions of the Scheme, the profits of the Transferor Company, for the period beginning from the Appointed Date, shall belong to and be the profits of Transferee Company and will be available to Transferee Company for being disposed of in any manner as it thinks fit.

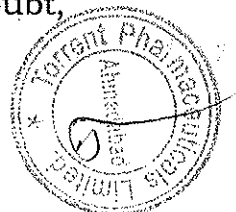
10.4 It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of the Transferee Company to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the Board of Directors of the Transferee Company, subject to such approval of the shareholders at its annual general meeting, as may be required.

#### **11. ACCOUNTING TREATMENT IN THE BOOKS AND FINANCIAL STATEMENTS OF TRANSFEE COMPANY**

On the Scheme becoming effective, the Transferee Company shall account for the amalgamation in its books as on the Appointed Date, as per the "Purchase Method" under Accounting Standard 14 – "Accounting for Amalgamation" as under:



- 11.1 On and from the Appointed date, all assets and liabilities, in the books of the Transferor Company shall stand transferred to the Transferee Company under the Scheme and shall be recorded in the books of account of the Transferee Company by allocating the consideration to individual identifiable assets and liabilities of the Transferor Company on the basis of their fair value, except adjustment where ever necessary to conform to the accounting policies and methods adopted by the Transferee Company.
- 11.2 The difference between the aggregate value of net assets (after considering the values as arrived under clause 11.1 above) of the Transferor Company acquired by the Transferee Company upon their transfer to and vesting in the Transferee Company under the Scheme and the amount of investment in the Transferor Company held by the Transferee Company as appearing in the books of the Transferee Company, as on the Appointed Date shall be credited to 'Capital Reserves Account' or debited to 'Goodwill Account', as the case may be.
- 11.3 The amount of goodwill if any, will be written off in the year of amalgamation.
- 11.4 Upon coming into effect of this Scheme, to the extent that there are inter-company loans, advances, deposits balances or other obligations amongst the Transferor Company and the Transferee Company, the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of accounts and records of the Transferee Company for the reduction of any assets or liabilities as the case may be. For the removal of doubt,



it is clarified that in view of the above there would be no accrual of interest or other charges in respect of any such inter-company loans, advances, deposits, balances or other obligations.

## **12. BUSINESS AND PROPERTY IN TRUST AND CONDUCT OF BUSINESS FOR TRANSFEREE COMPANY**

Unless otherwise stated herein under, with effect from the Appointed Date and up to and including the Effective Date:

12.1 The Transferor Company shall be deemed to have been carrying on and shall carry on their business and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all of the Undertaking of the Transferor Company for and on account of, and in trust for the Transferee Company and shall account for the same to the Transferee Company. The Transferor Company hereby undertakes to hold the said Undertaking with utmost prudence until the Effective Date.

12.2 With effect from the date of the Board meeting of the Transferor Company approving the Scheme and up to and including the Effective Date, the Transferor Company shall preserve and carry on the business and activities with reasonable diligence and business prudence and shall not, without the prior consent in writing of any of the persons authorised by the Board of Directors of the Transferee Company, alter or diversify its business or venture into any new business, undertake any additional financial commitments of any nature whatsoever, borrow any amounts nor incur any other liabilities or expenditure, issue any additional guarantees, indemnities, letters of comfort or commitments or sell, transfer, alienate, charge, mortgage, encumber or otherwise



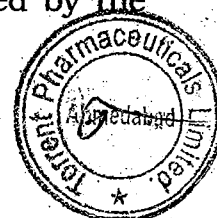


deal with its assets or any part thereof, except in the ordinary course of business, or pursuant to any pre-existing obligation(s) undertaken by the Transferor Company prior to the date of acceptance of the Scheme by its Board.

12.3 All the profits, income, taxes (including MAT credit, advance tax paid and tax deducted/collected at source) or any costs, charges, expenditure accumulated losses, costs, charges or expenditure accruing to the Transferor Company or expenditure or losses arising or incurred or suffered by the Transferor Company shall for all purpose be treated and be deemed to be and accrue as the profits, income, taxes (including MAT credit, advance tax paid and tax deducted/collected at source) or any costs, charges, expenditure accumulated losses, costs, charges or expenditure of Transferee Company, as the case may be.

12.4 With effect from the date of the Board meeting of the Transferee Company approving the Scheme and up to and including the Effective Date, the Transferor Company shall not, without the prior consent in writing of any of persons authorised by the Board of Directors of the Transferee Company, undertake (i) any material decision in relation to its businesses and affairs and operations (ii) any agreement or transaction (other than an agreement or transaction in the ordinary course of business) (iii) any new business, or discontinue any existing business or change the installed capacity of facilities.

12.5 With effect from the date of the Board meeting of the Transferee Company approving the Scheme and up to and including the Effective Date, the Transferor Company shall not vary the terms and conditions of employment of any of its employees, without the prior consent in writing of any of the persons authorised by the



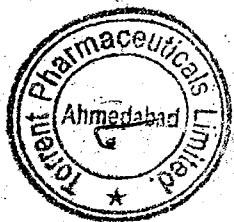
Board of Directors of Transferee Company, except in the ordinary course of business or pursuant to any pre/ existing obligation undertaken by the Transferor Company prior to the date of the said Board meeting.

12.6 The Transferee Company shall be entitled to depute its employees and/or representatives to the office(s) of the Transferor Company to ensure compliance with the provisions of this Scheme.

12.7 The Transferee Company shall be entitled, pending the sanction of the Scheme, to apply to the concerned authorities and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which the Transferee Company may require to carry on the business of the Transferor Company and to give effect to the Scheme.

### **13. SAVING OF CONCLUDED TRANSACTIONS**

Subject to the terms of the Scheme, the transfer of the Undertaking, licences, permits, registrations, memberships and approvals as specified under this Scheme and the continuance of Proceedings by or against the Transferee Company under Clause 4 above, shall not affect any transaction or Proceedings already concluded by the Transferor Company on or before the Appointed Date, or after the Appointed Date till the Effective Date, to the end and intent that the Transferee Company accepts and adopts all acts, deeds and things made, done and executed by the Transferor Company as acts, deeds and things made, done and executed by or on behalf of the Transferee Company.



**14. DISSOLUTION OF THE TRANSFEROR COMPANY**

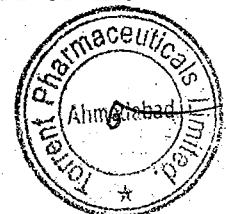
On the Scheme becoming operative or effective, the Transferor Company shall be dissolved without winding up pursuant to the provisions of Section 394 of the Act and no further procedure shall be required to be followed under the Act.

**15. APPLICATIONS/PETITIONS TO THE HIGH COURT**

The Transferor Company and the Transferee Company shall, with all reasonable dispatch, make necessary applications/petitions to the High Court of Gujarat, for sanctioning this Scheme and all matters ancillary or incidental thereto under Sections 391 to 394 of the Act and other applicable provisions of the Act.

**16. MODIFICATIONS OR AMENDMENTS TO THE SCHEME**

16.1 The Transferor Company and the Transferee Company by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize including any committee or sub-committee thereof, may make and/or consent to any modifications/ amendments to the Scheme or to any conditions or limitations that the High Courts or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them. The Transferor Company and the Transferee Company by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize including any committee or sub-committee thereof, shall be authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or orders of any other authorities or otherwise howsoever arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith. In case, post approval of the



Scheme by the High Court, there is any confusion in interpreting any clause of this Scheme, or otherwise, Board of Directors of the Transferee Company will have complete power to take the most sensible interpretation so as to render the Scheme operational.

16.2 For the purpose of giving effect to this Scheme or to any modifications or amendments thereof or additions thereto, the Board of Directors of the Transferee Company may give and are hereby authorised to determine and give all such directions as are necessary including directions for settling or removing any question of doubt or difficulty that may arise and such determination or directions, as the case may be, shall be binding on all parties, in the same manner as if the same were specifically incorporated in this Scheme.

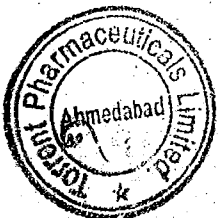
#### **17. SCHEME CONDITIONAL ON APPROVALS/ SANCTIONS**

The Scheme is and shall be conditional upon and subject to the followings:

17.1 The requisite consent, approval or permission of any statutory or regulatory authority, including SEBI and the concerned stock exchanges, which by law may be necessary for the implementation of this Scheme;

17.2 The Scheme being approved by respective requisite majorities in numbers and value of such classes of persons including the member and creditors of the companies as may be directed by the Hon'ble High Court of Gujarat at Ahmedabad and / or any other competent authority as may be applicable;

17.3 The Scheme being sanctioned by the Hon'ble High Court of Gujarat at Ahmedabad and / or any other competent authority, as may be applicable under Section 391 to 394 of the Act; and



17.4 Certified Copies of the Order of the Hon'ble High Court or such other competent authority, as may be applicable, sanctioning this Scheme being filed with the Registrar of Companies, Gujarat.

**18. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

In the event of any of the said sanctions and approvals referred to in clause 17 above not being obtained and/or complied with and/or satisfied and/or this Scheme not being sanctioned by the High Court and/or order or orders not being passed as aforesaid, this Scheme shall stand revoked, cancelled and be of no effect and in that event, no rights and liabilities whatsoever shall accrue to or be incurred inter se between the Transferor Company and the Transferee Company or their respective shareholders or creditors or employees or any other person and save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out in accordance with the applicable law and in such case, each party shall bear its own costs unless otherwise mutually agreed.

**19. COSTS**

All costs, charges and expenses including stamp duty and registration fee of any deed, document, instrument or High Court's order including this Scheme or in relation to or in connection with negotiations leading upto the Scheme and of carrying out and implementing the terms and provisions of this Scheme and incidental to the completion of arrangement in pursuance of this Scheme shall be borne and paid by the Transferee Company.



**20. Tax Issues**

20.1 Upon the Scheme being effective, the Transferee Company is expressly permitted to revise its financial statements to give effect to the provisions of the Scheme.

20.2 Upon the coming into effect of this Scheme, Transferee Company is expressly permitted to revise its Income Tax returns, sales tax returns, excise & CENVAT returns, service tax returns, other tax returns, etc. to the extent required. Transferee Company shall be entitled to get credit/claim refund regarding any tax paid and/or tax deduction at source certificates on or after the Appointed Date by the Transferor Company.

20.3 It is hereby clarified that submission of the Scheme to the High Court and to Appropriate Authorities for their respective approvals is without prejudice to all rights, interests, titles or defenses that the Transferee Company and the Transferor Company may have under or pursuant to all appropriate and Applicable Law.

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