

**SCHEME OF ARRANGEMENT**

**BETWEEN**

**GHCL LIMITED**

**(DEMERGED COMPANY)**

**AND**

**GHCL TEXTILES LIMITED**

**(RESULTING COMPANY)**

**AND**

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

[Under Sections 230 To 232 read with Section 66 of the Companies Act, 2013 read with Rules made thereunder]



## PREAMBLE TO THE SCHEME OF ARRANGEMENT

### Background and Rationale for the Scheme of Arrangement:

1. GHCL Limited (**'Demerged Company'** or **'GHCL'**) is a public limited company incorporated under the Companies Act, 1956, and having its registered office at GHCL House, Opposite Punjabi Hall, Navrangpura, Ahmedabad, Gujarat-380009. Its Corporate Identity Number (**'CIN'**) is L24100GJ1983PLC006513 and Permanent Account Number (**'PAN'**) is AAACG5609C. The Demerged Company was originally incorporated (and commenced business) on October 14, 1983 under the name Gujarat Heavy Chemicals Limited. The name of the Demerged Company was subsequently changed to GHCL Limited on November 21, 2003. The equity shares of the Demerged Company are listed on the BSE Limited and the National Stock Exchange of India Limited.

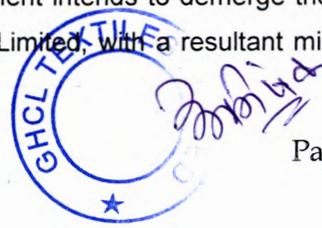
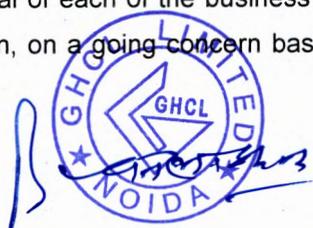
The Demerged Company is engaged in the business of (i) manufacture and sale of inorganic chemicals (including but not limited to Soda Ash (Dense grade and Light grade), Sodium Bicarbonate, Industrial Salt and Consumer Products) (**'Chemical Business'**) (ii) Yarn manufacturing, spinning of yarn and other ancillary materials from its factory/plant situated at Madurai and Manaparai Tamil Nadu (**'Spinning Division'**) (ii) manufacture and sale of home textiles products (including but not limited to weaving, processing, cutting and sewing of home textiles products) from its factory/plant situated at Valsad, Gujarat (**'Home Textiles Business'**) - collectively referred to as **'Business'**.

2. GHCL Textiles Limited (**'The Resulting Company'** or **'GHCL Textiles'**) is a Public Limited Company incorporated under Companies Act, 2013 having its registered office at GHCL House, Opp. Punjabi Hall, Navrangpura, Ahmedabad, Gujarat, India, 380009. Its Corporate Identity Number (**'CIN'**) is U18101GJ2020PLC114004 and Permanent Account Number (**'PAN'**) is AAICG3408K. The Company is authorized to engage in the business of textiles. The Resulting Company is a wholly owned subsidiary of the Demerged Company.

3. **Rationale of the Scheme:**

The Demerged Company is *inter-alia* engaged in varied business verticals namely Chemical, Spinning and Home Textiles. The Chemical business is highly capital driven with long gestation period and the Textiles business (consisting of Spinning Division and Home Textiles Division), on the other hand, is dynamic, more volatile to domestic and international market conditions, heavily dependent on product innovations and development, which require different skill sets and capabilities.

Management believes that the risk and reward associated with each of the aforesaid business verticals are different and are at different maturity stage in their life cycles. Each business verticals have a distinct attractiveness to divergent set of investors. With a view to unlock the potential of each of the business verticals, the management intends to demerge the Spinning Division, on a going concern basis, into GHCL Textiles Limited, with a resultant mirror image



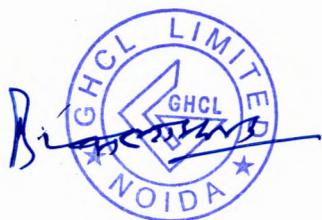
shareholding, and whose shares would be listed on the Stock Exchange after the demerger. It is intended for the Demerged Company to focus on the Chemical Business and the Resulting Company to focus on the Spinning Business. The management believes that such concentrated efforts shall benefit all stakeholders of the Demerged Company and Resulting Company, respectively. The Scheme is expected to result in the following benefits:

- a. Facilitate focused growth, concentrated approach, business synergies and increased operational and customer focus for respective business verticals.
- b. Rationalization of operations with greater degree of operational efficiency and optimum utilization of various resources.
- c. The Resulting Company, with clear identity of being in a Spinning Business, will enable right customer attention resulting in deeper market penetration.
- d. Creating and enhancing stakeholder's value by unlocking the intrinsic value of its core businesses and listing of shares of the Resulting Company;
- e. Ability to leverage financial and operational resources in each business verticals will lead to possibilities of joint ventures and associations with other Industry participants, both in India and globally, and will facilitate attracting greater talent pool.
- f. Each business will be able to address independent business opportunities with efficient capital allocation and attract different set of investors, strategic partners, lenders and other stakeholders, thus leading to enhanced value creation for shareholders, which would be in the best interest of the Demerged Company and Resulting Company and their respective stakeholders connected therewith.
- g. Simplification and rationalization of business undertakings holding structure of the Demerged Company.

The Scheme is not, in any manner, prejudicial or against public interest and would serve the interest of all shareholders, creditors or any other stakeholders.

This Scheme of Arrangement is divided into following parts:

- (i) **Part A** – dealing with definitions and share capital;
- (ii) **Part B** – dealing with demerger of Spinning Division of the Demerged Company into the Resulting Company; and
- (iii) **Part C** – General / residuary terms and conditions that are applicable to this scheme.



## **PART A**

### **1. DEFINITIONS**

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meaning:

- 1.1. **“Act”** means the Companies Act, 2013 and any statutory modification or re-enactment thereof for the time being in force.
- 1.2. **“Applicable Law(s)”** means any statute, notification, by-laws, rules, regulations, guidelines, rule or common law, policy, code, directives, ordinance, schemes, directives, notices, orders or instructions enacted or issued or sanctioned by any appropriate authority, including any modification or re-enactment thereof for the time being in force.
- 1.3. **“Appointed Date”** shall mean the Effective Date;
- 1.4. **“BSE”** means BSE Limited;
- 1.5. **“Board of Directors”** in relation to the Demerged Company and/or the Resulting Company, as the case may be, means their respective Board of Directors and shall, unless repugnant to the context or otherwise, include a committee of directors or any person authorized by the Board of Directors or such committee of directors.
- 1.6. **“Demerged Company”** means GHCL Limited, a company incorporated under the Indian Companies Act, 1956 and having its registered office at GHCL House, Opposite Punjabi Hall, Navrangpura, Ahmedabad, Gujarat-380009. Its Corporate Identity Number is L24100GJ1983PLC006513 and Permanent Account Number is AAACG5609C.
- 1.7. **“Demerged Undertaking”** or **“Demerged Business”** means Spinning Division of GHCL Limited.
- 1.8. **“Effective Date”** means the date or last of the dates on which certified copies of the order of the NCLT sanctioning the scheme are filed by the Demerged Company and the Resulting Company with the registrar of companies. References in this scheme to the date of “coming into effect of this scheme” or “upon the scheme becoming effective” shall mean the effective date.
- 1.9. **“Fairness Opinion”** means and refers to the certificate issued by Kunvarji Finstock Private Limited, SEBI Category 1 Merchant Banker, dated 6-December-2021.
- 1.10. **“IT Act”** means the Indian Income-tax Act, 1961 and shall include any statutory modifications, re-enactments or amendments thereof for the time being in force.
- 1.11. **“NCLT”** means the Ahmedabad Bench or any other jurisdictional Bench of National Company Law Tribunal as constituted and authorized as per the provisions of the Companies Act, 2013 for approving any scheme of arrangement, compromise or reconstruction of companies under Sections 230 to 232 of the Companies Act, 2013.

1.12. **“NSE”** means National Stock Exchange of India Limited;



- 1.13. **“Record Date”** means the date to be fixed by the Board of Directors of the Demerged Company, for the purpose of determining the members of the Demerged Company to whom shares in the Resulting Company will be allotted under the scheme.
- 1.14. **“Remaining Business”** means all the undertakings, businesses, activities and operations of the Demerged Company other than the Spinning Business.
- 1.15. **“The Resulting Company”** means GHCL Textiles Limited, a company incorporated under the Companies Act, 2013 and having its registered office at GHCL House, Opp. Punjabi Hall, Navrangpura,, Ahmedabad, Gujarat, India, 380009. It’s Corporate Identity Number is U18101GJ2020PLC114004 and its Permanent Account Number is AAICG3408K.
- 1.16. **“Scheme”** or **“the Scheme”** or **“this Scheme”** means this Scheme of Arrangement in its present form or with any modification(s) made under Clause 18 of this Scheme or as approved or directed by the NCLT.
- 1.17. **“Share Entitlement Ratio Report(s)”** means and refers to the certificate issued by Mr. Niranjana Kumar, Registered Valuer, dated 6-December-2021.
- 1.18. **“SEBI”** means the Securities and Exchange Board of India;
- 1.19. **“Stock Exchanges”** means the NSE and BSE;
- 1.20. **“Tax”** or **“Taxes”** shall mean all outgoing or dues or liabilities, crystallized or contingent, on account of taxes on net income, gross income, gross receipts, sales, use, services, ad valorem, value-added, capital gains, corporate income tax, minimum alternate tax, buyback distribution tax, dividend distribution tax, transfer, franchise and profits; withholding tax; property tax; water tax; any tax payable in a representative capacity, goods and service tax; service tax, value-added tax, duties of custom and excise, octroi duty, entry tax, stamp duty, other governmental charges or duties or other taxes or statutory payments in relation to contract labour and/ or other contractors and/ or sub-contractors, statutory pension or other employment benefit plan contributions, fees, assessments or charges of any kind whatsoever, including any surcharge or cess thereon, together with any interest and any penalties, additions to tax or additional amount with respect thereto; and Taxation will be construed accordingly.
- 1.21. **“Spinning Division”** or **“Spinning Business”** means and includes the undertaking of the Demerged Company related to Spinning Division consisting, inter-alia, all assets, including movable and immovable properties and all liabilities relating thereto, whether or not recorded in the books of accounts. Assets and Liabilities of the Spinning Division shall, inter-alia, mean and include:
- 1.21.1. The assets (whether real or personal, corporeal or incorporeal, present, future, contingent, tangible or intangible) pertaining to the Spinning Division of the Demerged Company including but not limited to licenses (of any nature whatsoever), furniture, fixtures, appliances, accessories, vehicles, power plants, deposits, all



stocks, assets, working capital, all customer/vendor contracts, contingent rights or benefits, entitlements, trademarks, logo, copyright, patent, brand/trade name, knowledge, innovations, goodwill, whether or not recorded or appearing in the books of accounts of the Demerged Company and/or the Resulting Company (pursuant to this Scheme) in terms of the applicable accounting standards, belonging to or in the ownership, power, possession or the control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Spinning Division;

1.21.2. All deposits, advances, loans, receivables, funds, staff advances, advance payments to regulatory authorities, cash, bank balances, accounts and all earnest money and/or deposits including security deposits made / paid by the Demerged Company in connection with or relating to the Spinning Division;

1.21.3. The liabilities pertaining to / arising out of the activities or operations of the Spinning Division, inter-alia, including the following:

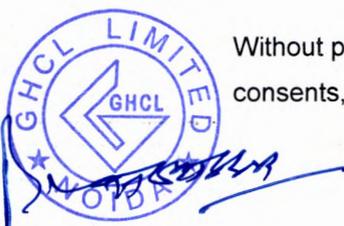
- All liabilities which arise out of the activities or operations of the Spinning Division.
- Specific loans and borrowings raised, term loans from banks and financial institutions (if any), bank overdrafts, working capital loans & liabilities, incurred and utilized solely for the activities or operations of the Spinning Division;
- Liabilities other than those referred to above, being the amounts of general or multipurpose borrowings of the Demerged Company, if any, allocated to the Spinning Division in the same proportion in which the value of the assets (ignoring the revalued amount) transferred under this Scheme bear to the total value of the assets of the Demerged Company immediately before giving effect to this Scheme;

Provided however that any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Spinning Division or whether it arises out of the activities or operations of the Spinning Division shall be decided by mutual agreement between the Board of Directors of the Demerged Company and the Resulting Company;

1.21.4. All employees of the Demerged Company employed in/ or relatable to the Spinning Division as on the Effective Date, and as identified by the Board of Directors of the Demerged Company;

1.21.5. All books, records, files, papers, computer software along with their licenses, manuals and backup copies, drawings, data catalogues, and other data and records, whether in physical or electronic form, directly or indirectly in connection with or relating to the Spinning Division

Without prejudice to the generality of the foregoing, it is clarified that all rights, entitlements, consents, permissions, licenses, certificates, authorizations relating to the Spinning Division



shall stand transferred to the Resulting Company as if the same were originally given by, issued to or executed in favour of the Resulting Company, and the rights and benefits under the same shall be available to the Resulting Company. Further, all benefits or incentives including income tax, sales tax (including deferment of sales tax), goods and service tax, value added tax and any other direct or indirect tax(es) benefits in respect of the Spinning Division for which the Demerged Company is entitled to in terms of the various statutes and/or schemes of Union and State Governments, shall be available to and vest in the Resulting Company.

1.22. **“TDS”** means Tax Deducted at Source;

The expressions which are used in this Scheme and not defined in this Scheme, shall, unless repugnant or contrary to the context or meaning hereof, have the same meaning ascribed to them under the Act and other Applicable Laws, rules, regulations, bye-laws, as the case may be, or any statutory modification or re-enactment thereof from time to time.

**2. DATE OF TAKING EFFECT AND OPERATIVE DATE**

2.1. The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the NCLT, shall be effective and operative from the Appointed Date.

**3. SHARE CAPITAL**

3.1. The share capital of the Demerged Company as on 30<sup>th</sup> September 2021 was as under:

Particulars	(Amount in Rs.)
<b>Authorized Capital</b>	
17,50,00,000 Equity shares of Rs.10 each	175,00,00,000
<b>Total</b>	<b>175,00,00,000</b>
<b>Issued, Subscribed and Paid-up</b>	
9,53,50,786 Equity shares of Rs.10 each	95,35,07,860
<b>Total</b>	<b>95,35,07,860</b>

Subsequent to the above date and till the date of the scheme being approved by the Board of Directors of the Demerged Company, there has been no change in the authorized, issued, subscribed and paid-up equity share capital of the Demerged Company.



3.2. The share capital of the Resulting Company as per latest provisional accounts as on 30<sup>th</sup> September 2021 was as under:

Particulars	(Amount in Rs.)
<b>Authorized Capital</b>	
7,50,000 Equity shares of Rs. 2 each	15,00,000
<b>Total</b>	<b>15,00,000</b>
<b>Issued, Subscribed and Paid-up</b>	
50,000 Equity shares of Rs. 2 each	1,00,000
<b>Total</b>	<b>1,00,000</b>

Subsequent to the above date and till the date of the scheme being approved by the Board of Directors of the Resulting Company, there has been no change in the authorized, issued, subscribed and paid-up equity share capital of the Resulting Company.



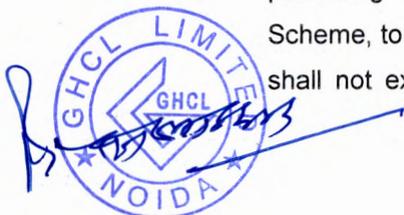
## PART B

### DEMERGER OF THE SPINNING DIVISION OF THE DEMERGED COMPANY INTO THE RESULTING COMPANY

#### 4. VESTING OF UNDERTAKING

With effect from the Appointed Date, and subject to the provisions of the Scheme, the Spinning Division of the Demerged Company, as defined in Clause 1.21 above, shall subject to the provisions of this Clause in relation to the mode of vesting and pursuant to Sections 230 to 232 of the Act and any other relevant provisions of the Act, and without any further act or deed, be transferred to and vested in and/or deemed to be transferred to and vested in the Resulting Company, as a going concern, in the following manner:

- 4.1. With effect from the Appointed Date, the whole of the undertaking and properties comprising all tangible and intangible assets including but not limited to all kinds of contingent rights or benefits, entitlements, licenses (of any nature whatsoever), trademarks, logo, copyright, patent, brand/trade name, knowledge, innovations, goodwill, whether or not recorded or appearing in the books of accounts of the Demerged Company pertaining to the Spinning Division, as aforesaid, shall, under the provisions of Sections 230 to 232 of the Act and any other relevant provisions of the Act, if any, without any further act or deed, be transferred to and be vested in and/or be deemed to be transferred to the Resulting Company so as to vest in the Resulting Company all the rights, title and interest pertaining to the Spinning Division of the Demerged Company.
- 4.2. With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Demerged Company relating to the Spinning Division, as defined in clause 1.21 above, shall, under the provisions of Sections 230 to 232 of the Act and any other relevant provisions of the Act, without any further act or deed, be transferred to and/or deemed to be transferred to the Resulting Company as the debts, liabilities, contingent liabilities, duties and obligations of the Resulting Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such Liabilities and obligations have arisen in order to give effect to the provisions of this sub-clause.
- 4.3. The vesting of the Spinning Division as aforesaid, shall be subject to the existing securities, charges, hypothecation and mortgages, if any, subsisting in relation to any loans or borrowings of the Spinning Division, provided however, any reference in any security documents or arrangements to which the Demerged Company is a party, wherein the assets of the Spinning Division have been or are offered or agreed to be offered as securities for any financial assistance or obligations, shall be construed as a reference to only the assets pertaining to the Spinning Division as are vested in the Resulting Company as per the Scheme, to the end and intent that any such security, charge, hypothecation and mortgage shall not extend or be deemed to extend to any of the other assets of the Demerged



Company or any other assets of the Resulting Company. Provided further, that the securities, charges, hypothecation and mortgages (if any subsisting) over and in respect of the assets or any part thereof of the Resulting Company shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges, hypothecation and mortgages shall not extend or be deemed to extend to any of the other assets of Resulting Company.

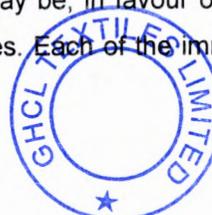
4.4. With effect from the Appointed Date and upon the Scheme becoming effective any statutory licenses, certificates, permissions, unique identification numbers, registrations or approval or consents held by the Demerged Company required to carry on operations in the Demerged Undertaking shall stand vested in or transferred and deem to be transferred to and vested to the Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Resulting Company. The Resulting Company and/or the Demerged Company shall file intimation with the relevant authorities, who shall take the same on record, or undertake necessary actions as may be required, for having the said licenses, certificates, permissions, registration, unique identification numbers, etc. vested or transferred to the Resulting Company.

4.5. With effect from the Appointed Date, all documents of title, deeds, papers, contracts, licenses etc. pertaining to the Spinning Division shall be handed over to the Resulting Company.

4.6. With effect from the Appointed Date, the transfer and vesting of the assets of the Demerged Company relating to the Spinning Division shall be affected as follows:

4.6.1. The immovable properties including land, building and structures, if any, belonging to and/or vested in the Spinning Division shall be transferred to and vested in or deemed to have been transferred to the Resulting Company. With effect from the Appointed Date, the Resulting Company shall be entitled to exercise all rights and privileges and be liable to pay ground rent, municipal taxes, if any, and fulfill all obligations in relation to or applicable to such immovable properties. The mutation of title to the immovable properties in the name of the Resulting Company shall be made and duly recorded by the appropriate authorities pursuant to the sanction of this Scheme by the NCLT and this Scheme becoming effective in accordance with the terms hereof.

4.6.2. Notwithstanding anything contained in this Scheme, the immovable properties of the Demerged Company pertaining to the Demerged Undertaking situated in different states, whether owned or leased, for the purpose of, inter alia, payment of stamp duty, and vesting into the Resulting Company and if the Resulting Company so decides, the concerned parties, upon the Scheme becoming Effective, shall execute or register or cause so to be done, separate deeds of conveyance or deeds of assignment of lease, as the case may be, in favour of the Resulting Company in respect of such immovable properties. Each of the immovable properties, only for



the payment of stamp duty (if required under Applicable Law), shall be deemed to be conveyed at a value as determined by the relevant authorities in accordance with the applicable circle rates. The transfer of such immovable properties shall form an integral part of the Scheme.

- 4.6.3. All the movable assets of the Spinning Division or assets otherwise capable of transfer by manual delivery or by endorsement and delivery, including cash in hand shall be physically handed over by manual delivery to the Resulting Company to the end and intent that the property therein passes to the Resulting Company on such delivery, without requiring any deed or instrument of conveyance for the same and shall become the property of the Resulting Company accordingly.
- 4.6.4. In respect of movable assets, other than those specified in sub-clause 4.6.3 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or value to be received, bank balances and deposits, if any, pursuant to the order of the NCLT, the said debt, loan, advances, etc. would be paid or made good or held on account of the Resulting Company as the person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realize the same stands extinguished, and that such rights to recover or realize the same shall vest in the Resulting Company. Pursuant to the order of the NCLT sanctioning the Scheme, each person, debtor or depositor of the Spinning Division of the Demerged Company would pay the debt, loan or advance or make good the same or hold the same to the account of the Resulting Company and that the right of the Resulting Company to recover or realize the same would be in substitution of the right of the Demerged Company.
- 4.7. Any loans or other obligations, if any, due between the Spinning Division of the Demerged Company and the Resulting Company or any other transactions between the Spinning Division of the Demerged Company and the Resulting Company as on the Appointed Date, shall stand automatically extinguished.
- 4.8. All taxes, duties, cess payable by the Demerged Company relating to the Spinning Division and all or any refunds/credit (including cenvat credits)/claims relating thereto shall be treated as the liability or refunds/credit/claims, as the case may be, of the Resulting Company.
- 4.9. The experience, track record, knowledge, innovations and credentials of the Demerged Company in relation to the Demerged Undertaking in dealing with identified products and/or services in relation to various authorities, agencies and clients prior to its transfer to the Resulting Company shall be taken into account and treated and recognize as the experience, track record, knowledge, innovations and credentials in relation to such Demerged Undertaking even after its transfer to the Resulting Company.



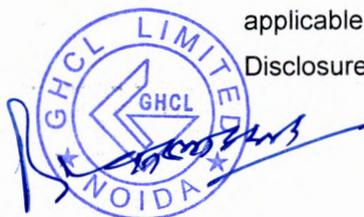
- 4.10. On and from the Effective Date and till such time that the name of the bank accounts of the Demerged Company, in relation to or in connection with the Demerged Undertaking, have been replaced with that of the Resulting Company, the Resulting Company shall be entitled to maintain and operate the bank accounts of the Demerged Company pertaining to the Demerged Undertaking, in the name of the Demerged Company for such time as may be determined to be necessary by the Resulting Company. All cheques and other negotiable instruments, payment orders received or presented for encashment which are in the name of the Demerged Company, in relation to or in connection with the Demerged Undertaking, after the Effective Date shall be accepted by the bankers of the Resulting Company and credited to the account of the Resulting Company, if presented by the Resulting Company.
- 4.11. This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the said provisions at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said section of the Income tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with conditions contained in Section 2(19AA) of the Income tax Act, 1961. Such modification will however not affect other parts of the Scheme.

## 5. CONSIDERATION

- 5.1 The Resulting Company shall without any further act, issue and allot its equity shares of face value of Rs. 2 each as consideration to each equity shareholder of the Demerged Company, whose name is recorded in the register of members of the Demerged Company as on Record date or to their respective heirs, executors, administrators or other legal representatives or successors-in-title, as the case may be, in the following manner:

*"1 (One) equity share of the Resulting Company of face value of INR 2 each fully paid up shall be issued for every 1 (One) equity share of INR 10 each fully paid up held in the Demerged Company (i.e. GHCL)"*

- 5.2 The aforesaid ratio for the issue of equity shares by the Resulting Company against the equity shares held by the shareholders in the Demerged Company is based on the recommendations made in the Share Entitlement Report dated 6-December-2021 issued by Mr. Niranjana Kumar, Registered Valuer, having IBBI registration No – IBBI/RV/06/2018/10137.
- 5.3 Equity shares to be issued and allotted in terms hereof will be subject to the Memorandum of Association and Articles of Association of the Resulting Company and shall be deemed to be in compliance with the provisions of the Act or any law for the time being in force.
- 5.4 Issuance of new shares by the Resulting Company shall be made in compliance with the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Master Circular issued by the



Securities and Exchange Board of India on November 23, 2021 bearing no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 or any statutory modification or re-enactment thereof from time to time.

- 5.5 The equity shares shall be issued in dematerialized form to those shareholders who hold shares of the Demerged Company in dematerialized form, into the account in which shares of the Demerged Company are held or such other account as is intimated in writing by the shareholders to the Demerged Company and/or its Registrar. All the shareholders who hold shares of the Demerged Company in physical form shall also have the option to receive the equity shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to the Demerged Company and/or its Registrar on or before the Record Date. The shareholders who fail to provide such details shall be issued equity shares in physical form. Notwithstanding the above, if as per Applicable laws, the Resulting Company is not permitted to issue and allot the new equity shares in physical form and it has still not received the demat account details of such shareholders of the Demerged Company, the Resulting Company shall issue and allot such shares in lieu of the new equity share entitlement of such shareholders, into a Demat Suspense account, which shall be operated by one of the directors of the Resulting Company, duly authorised in this regard, who shall upon receipt of appropriate evidence from such shareholders regarding their entitlements, will transfer from such Demat Suspense account into the individual demat account of such claimant shareholders, such number of shares as may be required in terms of this scheme.
- 5.6 The shares allotted pursuant to the Scheme shall remain frozen in the depository system till listing/trading permission is given by the designated stock exchange. Further, there shall be no change in the shareholding pattern of GHCL Textiles Ltd (Resulting Company) between the record date and the listing date, which may affect the status of approval from Stock exchange(s).
- 5.7 The new shares to be issued by the Resulting Company in respect of any equity shares of the Demerged Company which are held in abeyance under the provision of section 126 of the Act or otherwise, shall also be kept in abeyance.
- 5.8 The fractional entitlements, if any, shall be aggregated and held by the trust, nominated by the Board in that behalf, who shall sell such shares in the market at such price, within a period of 90 days from the date of allotment of shares and eligible shareholders would be compensated accordingly.
- 5.9 Upon the issuance and allotment of equity shares pursuant to the Scheme, the Resulting Company shall take necessary steps, including the filling of the applications with Stock Exchanges, for the purpose of listing of the equity shares of the Resulting Company on such recognized Stock Exchanges, in accordance with the Applicable Laws.



*[Handwritten signature]*

5.10 The approval of this Scheme by the requisite majority of shareholders of the Resulting Company shall be deemed to be in due compliance of the provisions of Section 62 of the Act, and other relevant and applicable provisions of the Act for the issue and allotment of equity shares by the Resulting Company to the shareholders of the Demerged Company, as provided in this Scheme.

## 6. REORGANIZATION OF AUTHORISED SHARE CAPITAL OF THE DEMERGED COMPANY

6.1 Upon this Scheme becoming effective and with effect from the Appointed Date, a part of the authorised share capital of the Demerged Company shall stand transferred to and form part of the authorised share capital of the Resulting Company, without any further act or deed and simultaneously with a re-classification of the authorised share capital of the Resulting Company in accordance with the provisions of section 61 of the Act, and the fee, if any, paid by the Demerged Company on its authorised share capital shall be set off against any fee payable by the Resulting Company on its authorised capital, subsequent to the Demerger.

6.2 Upon this Scheme coming into effect and with effect from the Appointed Date (and consequent to transfer of a part of the existing authorised share capital of the Demerged Company to the Resulting Company), the authorised share capital of the Demerged Company shall stand reduced by 3,50,00,000 equity shares of Rs. 10 each. Such reduced authorised share capital shall stand transferred to the Resulting Company. Revised Clause 5 of the Memorandum of Association of the Demerged Company, post giving effect to above transfer, shall stand modified and be substituted by the following:

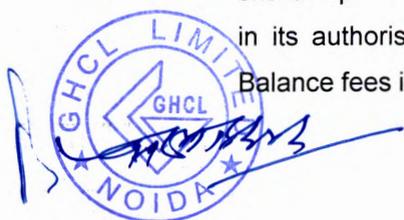
“The Authorised Share Capital of the Company is Rs 140,00,00,000/- divided into 14,00,00,000 equity shares of Rs 10 each.”

6.3 Accordingly, Clause V of the Memorandum of Association of the Resulting Company shall stand modified and be substituted by the following:

“The Authorised Share Capital of the Company is Rs 35,15,00,000/- divided into 17,57,50,000 equity shares of Rs 2 each.”

6.4 It is hereby clarified that the consent of the shareholders of the Demerged Company and the Resulting Company to this Scheme shall be sufficient for the purposes of effecting the aforesaid amendments in the Memorandum of Association of the Demerged Company and the Resulting Company and that no further resolutions, whether under the applicable provisions of the Act or under the Articles of Association, shall be required to be separately passed. The fees and the stamp duty paid by the Demerged Company on its authorised share capital shall be set-off against any fees payable by the Resulting Company on increase in its authorised share capital subsequent to demerger as mentioned in this clause 6.

Balance fees if any payable, after the aforesaid adjustment, by the Resulting Company shall



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be duly paid upon the sanctioning of the Scheme.

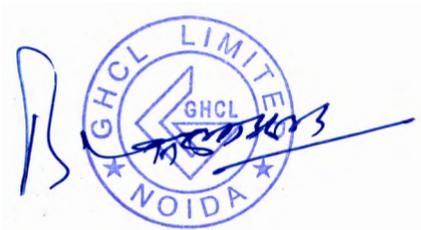
- 6.5 The Demerged Company and the Resulting Company shall file with the jurisdictional Registrar of Companies, all requisite forms and complete the requirements under the Act, if any.

## 7. ACCOUNTING TREATMENT

### 7.1 In the books of the Demerged Company:

With effect from the Appointed Date, the Demerged Company shall account for the Scheme in its books of accounts in accordance with Appendix A of Indian Accounting Standards (Ind AS) 10 'Distribution of Non-cash Assets to Owners' prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as may be amended from time to time. Accordingly, the Demerged Company shall provide the following accounting treatment in its books of accounts:

- 7.1.1. Recognise liability for Distribution of Non-Cash Assets to owners as dividend, to the extent of fair value of the Spinning Business ("Demerged Undertaking") with a corresponding debit to the Other equity, solely to meet the requirements of Ind-AS notified under Section 133 of the Act. The liability is subject to review at each reporting date and at the date of settlement, with any changes in the carrying amount of the liability recognised in Other equity as an adjustment to the amount of distribution;
- 7.1.2. Reduce the carrying amount of all assets and liabilities pertaining to the Demerged Undertaking, being transferred to the Resulting Company, from the respective book value of assets and liabilities of the Demerged Company;
- 7.1.3. The Demerged company shall recognise the difference, if any, between the carrying amount of the assets and liabilities distributed and the carrying amount of the liability derecognised in the Statement of profit and loss, solely to meet the requirements of Ind-AS notified under Section 133 of the Act;
- 7.1.4. Entire investment made by the Demerged Company in the equity share capital of the Resulting Company, shall stand cancelled;
- 7.1.5. For accounting purpose, the Scheme will be given effect on later of Appointed date or the date when all substantial conditions for the transfer of Demerged Undertaking are completed.
- 7.1.6. Any matter not dealt with in Clause hereinabove shall be dealt with in accordance with the accounting standards applicable to the Demerged Company.



## 7.2 In the books of the Resulting Company

With effect from the Appointed Date, the Resulting Company shall account for the Scheme in its books of accounts in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Act, under the Companies (Indian Accounting Standard) Rules, 2015, as may be amended from time to time and generally accepted accounting principles in India. Accordingly, the Resulting Company shall provide the following accounting treatment in its books of accounts.

- 7.2.1. Record the assets and liabilities of the Spinning Business ("Demerged Undertaking") of the Demerged Company, vested in it pursuant to this Scheme at their respective carrying values as appearing in the books of Demerged Company.
- 7.2.2. Record the equity shares issued and allotted by it pursuant to the Scheme at its fair value. The difference between the fair value of equity shares issued and the face value of equity shares issued will be classified as Securities Premium under the head "Other Equity".
- 7.2.3. The difference between the fair value of the equity shares issued by the Resulting Company to the shareholders of the Demerged Company as per Clause 5 and the book value of the assets and liabilities of the Demerged Undertaking received from the Demerged Company will be debited/credited to equity and classified as "Capital reserve" under the head "Other Equity".
- 7.2.4. Shares held by the Demerged Company in the Resulting Company shall stand cancelled. There shall be no further obligation in respect of the cancelled shares. The cancellation of share capital will be affected as part of this Scheme in accordance with provision of Section 66 of the Act and the order of the NCLT shall be deemed to be the order under the applicable provisions of the Act for confirming the cancellation of share capital.
- 7.2.5. For accounting purpose, the Scheme will be given effect on later of Appointed date or the date when all substantial conditions for the transfer of Demerged Undertaking are completed.
- 7.2.6. Any matter not dealt with in Clause hereinabove shall be dealt with in accordance with the accounting standards applicable to the Resulting Company.

## 8. CONDUCT OF BUSINESS

8.1. Subject to Clause 4 of the Scheme, as and from the date of approval of this Scheme by the Board of Directors of the Demerged Company and the Resulting Company and till the Effective Date, the Demerged Company:

- 8.1.1. Shall carry on the business activities of the Spinning Division with reasonable care and diligence and in the same manner as it had been doing hitherto;



8.1.2. Shall not vary or alter, except in the ordinary course of its business and as may be required for reorganization, the terms and conditions of employment of any of its employees in relation to the Spinning Division.

8.2 With effect from the Effective Date, the Resulting Company shall continue and carry on and shall be authorized to carry on the businesses carried on by the Spinning Division of the Demerged Company.

## 9. Employees of Demerged Undertaking

9.1 Upon the Scheme becoming effective, all employees of the Demerged Undertaking ('**Transferred Employee**') in service as on the Effective Date shall be deemed to have become the employees of the Resulting Company with effect from the Appointed Date without any interruption in their service as a result of the transfer of the Demerged Undertaking to the Resulting Company on the same terms and conditions of employment as were with the Demerged Company. On the basis of continuity of service, the terms and conditions of their employment with the Resulting Company shall not be less favorable than those applicable to them with reference to the Demerged Undertaking of the Demerged Company as on the Effective Date.

9.2 The existing provident fund trust and pension fund trust, gratuity fund, superannuation fund, NPS fund or any other fund, as applicable, for the transferred employees of the Demerged Undertaking shall be continued for the benefit of such employees including employees who may hereafter join the Resulting Company on the same terms and conditions and with effect from such date, the Resulting Company shall make the necessary contribution for such employees taken over by the Resulting Company until the Resulting Company constitutes its own provident fund, gratuity fund, superannuation fund or any other special fund and obtains necessary approval for the same. Upon the Scheme being effective, the Resulting Company shall stand substituted for the Demerged Company for all purposes whatsoever related to the administration or operation of such trust or fund or in relation to the obligations to make a contribution to the said funds in accordance with the provisions of the trust or funds or according to the terms provided in the respective trust deeds or other documents. The Resulting Company undertakes to discharge all the duties and obligations and assumes all the rights and powers of the Demerged Company, upon the Scheme being effective, in relation to aforesaid trusts or funds of the Demerged Company in relation to the Demerged Undertaking. The services of the staff, workmen and other employees of the Demerged Undertaking will be treated as having been continuous for the purposes of the aforesaid trusts/ funds or provisions of any trust/ funds for employees. The amount of liability in respect of gratuity and leave (determined as the sum payable on the Appointed Date as if the same were due) relating to the employees of the Demerged Undertaking shall be appropriately adjusted by the Demerged Company and transferred to the Resulting Company.

9.3 The Resulting Company undertakes to continue to abide by any agreement(s)/settlement(s) entered into with any labour unions/ employees by the Demerged Company in relation to the



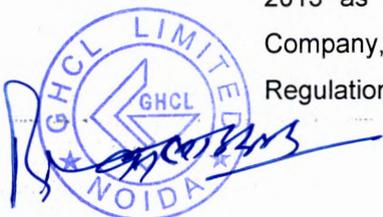
Demerged Undertaking. The Resulting Company agrees that for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits, the past services of such employees with the Demerged Company shall also be taken into account, and agrees and undertakes to pay the same as and when payable. Upon the Scheme becoming effective, in order to compensate the employees that had been granted options under the Demerged Company ESOP Plan (if applicable), and who have been transferred pursuant to the Scheme, shall be granted employee stock options by the Resulting Company, subject to applicable regulatory laws. Upon the Scheme becoming effective, the Resulting Company shall issue fresh employee stock options, subject to applicable regulatory laws, to the Transferred Employees employed by it pursuant to the Scheme taking into account the applicable share exchange ratio mentioned in Clause 5 of the Scheme, and on terms and conditions not less favourable than those provided under the Demerged Company ESOP Plan. Such stock options may be issued by the Resulting Company either under its existing employee stock option plan or a revised stock option plan for the Transferred Employees or under a separate employee stock option plan created by the Resulting Company inter alia for the purpose of granting stock options to the Transferred Employees pursuant to this Scheme. The period served by the Transferred Employees in the Demerged Company prior to the effectiveness of the Scheme shall be taken into account by the Resulting Company to determine the vesting periods for the employee stock options to be granted by the Resulting Company to the Transferred Employees.

9.4 In the event that prior to the Scheme becoming effective, any of the Transferred Employees have exercised (if any) the employee stock options granted to them under the Demerged Company ESOP Plan, the Resulting Company will not need to issue any fresh employee stock options to such Transferred Employees and as on the Record Date, such Transferred Employees shall be treated at par with the other equity shareholders of the Demerged Company. In the event that the stock options, if any, granted to a Transferred Employee lapse prior to the coming into effect of the Scheme, no further action will be needed to be taken by the Resulting Company in relation to such lapsed employee stock options held by the Transferred Employee.

9.5 The terms and conditions of the Demerged Company ESOP Plan (if any) would be revised, by the Board/Shareholders (as may be applicable) of the Demerged Company, such that the employees of the Demerged Company who are not transferred pursuant to this Scheme are not adversely affected.

## 10. GRANT OF EMPLOYEE STOCK OPTIONS BY THE DEMERGED COMPANY

10.1 Subject to the provisions of Section 62(1)(b) and other provisions of the Companies Act, 2013 as applicable, the Memorandum and Articles of Association of the Demerged Company, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and subject to such other sanctions, permissions and approvals, including



the recommendation of Nomination & Remuneration Committee, as may be necessary, in order to reward the identified employees for their continuous hard work, dedication and support towards the growth of the Business, the Demerged Company shall create, offer and grant from time to time up to 8% of the Share Capital of the Demerged Company) options to the identified employees, existing and future including the Whole-time directors but excluding the Independent Director of the Demerged Company and their existing and future subsidiary companies (whether in or outside India) as may be decided solely by the Board of Directors of the Demerged Company, exercisable into equivalent Equity Shares of face value of Rs. 10/- each fully paid up, in one or more tranches, on such terms and in such manner (including through primary or secondary purchase mechanism) as the Board may decide in accordance with the provisions of the law or regulations issued by the relevant authorities.

## 11. LEGAL PROCEEDINGS

- 11.1 All legal proceedings of whatsoever nature by or against the Demerged Company pending and/or arising at the Appointed Date in relation to the Spinning Division shall be continued and enforced by or against the Resulting Company, and the Resulting Company will bear the liabilities of such proceedings at its own cost. The Demerged Company shall extend all its assistance to defend such proceedings at the cost of the Resulting Company.
- 11.2 Subsequent to the Appointed Date, if any proceedings are initiated by any third party (including regulatory authorities) by or against the Spinning Division of the Demerged Company under any statute, such proceedings shall be continued and enforced only against the Resulting Company and the Resulting Company shall bear the liabilities of such proceedings at its own cost. The Demerged Company shall extend all its assistance to defend the liabilities of such proceedings at the cost of the Resulting Company.

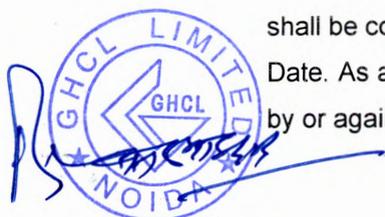
## 12. TREATMENT OF TAXES

- 12.1 Upon this Scheme becoming effective and with effect from the Appointed Date, all taxes and duties payable, if any, by the Demerged Company (including but not limited to the IT Act, Goods and Services Tax, Customs Act, Central Excise Act, State Sales Tax laws, Central Sales Tax Act, VAT/ Service tax and all other Applicable Laws), accruing and relating to the Spinning Division from the Appointed Date onwards, including all advance tax payments, TDS, minimum alternate tax, any refund and claims shall, for all purposes, be treated as advance tax payables or payments, TDS, minimum alternate tax or refunds and claims, as the case may be, of the Resulting Company.
- 12.2 Upon this Scheme becoming effective, all existing and future incentives, unavailed credits and exemptions/deductions, subsidies (including but not limited to subsidy available to the Demerged Undertaking under the Technology Up-gradation Fund scheme along with all refunds), grants, Taxes, and tax credit/ incentives (including but not limited to credits/incentives in respect of income tax, value added tax, sales tax, service tax, goods



and services tax etc.), deferred tax benefits, advance tax, minimum alternate tax, benefit of carried forward losses, unabsorbed tax depreciation, tax holidays and other statutory benefits, including in respect of income tax (including TDS, tax collected at source, advance tax, minimum alternate tax credit etc.), cenvat, customs, value added tax, sales tax, service tax, goods and services tax etc. relating to the Spinning Division to which the Demerged Company is entitled / obliged to shall be available to and vest in the Resulting Company, without any further act or deed.

- 12.3 Upon this Scheme becoming effective, the Demerged Company and the Resulting Company are permitted to revise and file their respective income tax returns, withholding tax returns, including TDS certificates, goods and services tax, sales tax/value added tax returns, service tax returns and other tax returns, and to claim refunds/credits/exemptions/deductions, if any, as may be required for the purpose of /consequent to the implementation of the Scheme.
- 12.4 The Board of Directors of the Demerged Company and the Resulting Company shall be empowered to determine if any specific tax liability or any tax proceeding relates to the Spinning Division and whether the same would be transferred to the Resulting Company or decide on any other matters.
- 12.5 Upon the Scheme becoming effective, any TDS deposited, TDS certificates issued or TDS returns filed by the Demerged Company, if any, relating to the Spinning Division shall continue to hold good as if such TDS amounts were deposited, TDS certificates were issued and TDS returns were filed by the Resulting Company.
- 12.6 All the expenses incurred by the Demerged Company and the Resulting Company in relation to the Scheme, including stamp duty expenses, if any, shall be allowed as deduction to the Demerged Company and the Resulting Company in accordance with the Section 35DD of the IT Act over a period of 5 (five) years beginning with the previous year in which the Scheme becomes effective.
- 12.7 Any refund under the tax laws due to the Demerged Company pertaining to the Spinning Division consequent to the assessments made on the Demerged Company and for which no credit is taken in the accounts as on the date immediately preceding the Appointed Date shall belong to and be received by the Resulting Company. The relevant authorities shall be bound to transfer to the account of and give credit for the same to the Resulting Company upon this Scheme becoming effective upon relevant proof and documents being provided to the said authorities.
- 12.8 All tax assessment proceedings/ appeals/ litigations of whatsoever nature by or against the Demerged Company, whether pending on the Appointed Date or which are instituted at any time in the future, and relating to the Demerged Undertaking of the Demerged Company, shall be continued and/or enforced by or against the Demerged Company until the Effective Date. As and from the Effective Date, the tax proceedings shall be continued and enforced by or against the Resulting Company in the same manner and to the same extent as would

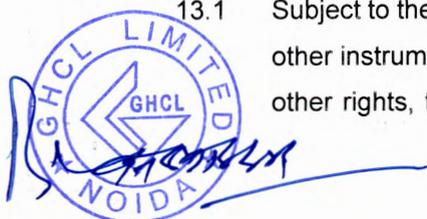


or might have been continued and enforced by or against the Demerged Undertaking of the Demerged Company.

- 12.9 Further, the aforementioned proceedings shall neither abate or be discontinued nor be in any way prejudicially affected by reason of the demerger of the Demerged Undertaking of the Demerged Company or anything contained in the Scheme.
- 12.10 Any tax liabilities under the income tax laws, service tax laws, goods and services tax laws, excise duty laws, applicable state value added tax laws or other Applicable Laws /regulations dealing with taxes/ duties/ levies applicable to the Demerged Undertaking of the Demerged Company to the extent not provided for or covered by tax provisions in the accounts made as on the Appointed Date shall be transferred to the Resulting Company. Any surplus in the provision for taxation/ duties/ levies account including advance tax and tax deducted at source, relating to the Demerged Undertaking, as on the Appointed Date will also be transferred to the account of the Resulting Company.
- 12.11 Without prejudice to the generality of the above, all benefits, incentives, tax losses, unabsorbed depreciation, credits (including, without limitation income tax, goods and services tax, service tax, excise duty, applicable state value added tax, etc.) to which the Demerged Undertaking of the Demerged Company is entitled to in terms of Applicable Laws, shall be available to and vest in the Resulting Company.
- 12.12 Upon the Scheme becoming effective, any refunds, benefits, incentives, grants, subsidies in relation to or in connection with the Demerged Undertaking, the Demerged Company shall, if so required by the Resulting Company, issue notices in such form as the Resulting Company may deem fit and proper stating that pursuant to the Tribunal having sanctioned this Scheme, the relevant refund, benefit, incentive, grant, subsidies, be paid or made good or held on account of the Resulting Company, as the person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realise the same, stands transferred to the Resulting Company and that appropriate entries should be passed in their respective books to record the aforesaid changes.
- 12.13 It is reiterated that the Demerger of the Spinning Division of the Demerged Company into the Resulting Company pursuant to this scheme shall take place with effect from the Appointed Date and shall be in accordance with the provision of Section 2(19AA) and all other provisions of the of the Income Tax Act, 1961. Upon the Scheme coming into effect, for the purpose of Income Tax Act, 1961, the Resulting Company shall account for the transaction relating to the Spinning Division from the Appointed Date and shall draw its books of account to the extent required to give effect to the Scheme.

### 13. CONTRACTS, DEEDS, ETC.

- 13.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments including any contract for exploitation of intellectual property rights and all other rights, title, interest, labels and brand registrations, copyrights, patents, trademarks,



trade names, licenses, entitlements and other industrial or intellectual property rights of any nature whatsoever, pertaining to the Spinning Division to which the Demerged Company is party and which are subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of the Resulting Company, as the case may be, and may be enforced by or against the Resulting Company as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto. Further, all contracts with third parties relating to the Spinning Division to which the Demerged Company is party, shall be in full force and effect against or in favour of the Resulting Company. The Resulting Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novation's, to which the Demerged Company will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary. The Resulting Company shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of the Demerged Company and to implement or carry out all formalities required on the part of the Demerged Company to give effect to the provisions of this Scheme.

**14. SAVING OF CONCLUDED TRANSACTIONS**

14.1 The transfer of properties and liabilities under Clause 4 above and the continuance of proceedings by or against the Demerged Company under Clause 11 above shall not affect any transaction or proceedings already concluded, if any, by the Demerged Company till the Effective Date, to the end and intent that the Resulting Company accepts and adopts all acts, deeds and things done and executed by the Demerged Company in respect thereto.



## PART C

### GENERAL CONDITIONS

#### **15. COMPLIANCE WITH TAX LAWS**

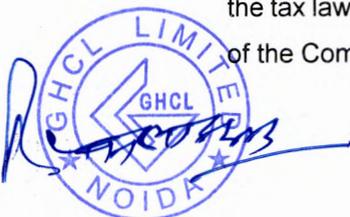
15.1 This Scheme, in so far as it relates to the demerger of the Spinning Division of the Demerged Company into the Resulting Company, has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the IT Act, which include the following:

- a) all the assets and properties of the Demerged Undertaking, being transferred by the Demerged Company, immediately before the demerger shall become the properties of Resulting Company, respectively, by virtue of such Demerger;
- b) all the liabilities relatable to the Demerged Undertaking, being transferred by the Demerged Company, immediately before the demerger, become the liabilities of the Resulting Company by virtue of the demerger;
- c) the property and the liabilities of the Demerged Undertaking or Undertakings being transferred by the Demerged Company are transferred at values appearing in its books of account immediately before the demerger;

This provision shall not apply where the Resulting Company records the value of the property and the liabilities of the Undertaking at a value different from the value appearing in the books of account of the Demerged Company, immediately before the demerger, in compliance to the Indian Accounting Standards specified in Annexure to the Companies (Indian Accounting Standards) Rules, 2015.

- d) the Resulting Company issues, in consideration of the demerger, its shares to the shareholders of the Demerged Company on a proportionate basis, except where the Resulting Company itself is a shareholder of the Demerged Company;
- e) the shareholders holding not less than three-fourths in value of the shares in the Demerged Company (other than shares already held therein immediately before the demerger by, or by a nominee for, the Resulting Company or, its subsidiary) become shareholders of the Resulting Company by virtue of the demerger, otherwise than as a result of the acquisition of the property or assets of the Demerged Company or any undertaking thereof by the Resulting Company; and
- f) the transfer of the Demerged Undertaking shall be on a going concern basis; and other relevant sections (including Sections 47 and 72A) of the IT Act.

15.2 If any terms or provisions of this Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date whether as a result of a new enactment any amendment or coming into force of any provision of the IT Act or any other law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail and this Scheme shall be modified accordingly with consent of each of the Companies (acting through their respective Board of Directors).



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## 16. REMAINING BUSINESS AND OTHER LIABILITIES

- 16.1. The Demerged Company shall continue to carry on the Remaining Business. All the assets, liabilities and obligations pertaining to the Remaining Business arising prior to, on or after the Appointed Date including liabilities other than those transferred to the Resulting Company under Clause 1.21 of this Scheme shall continue to belong to, be vested in and be managed by the Demerged Company
- 16.2. Save and except the Demerged Undertaking of the Demerged Company and as expressly provided in the Scheme, nothing contained in this Scheme shall effect the Remaining Business of the Demerged Company, or any other Business, assets and liabilities of the Demerged Company, which shall continue to belong to and be vested in and be managed by the Demerged Company.

## 17. APPLICATION TO THE NCLT

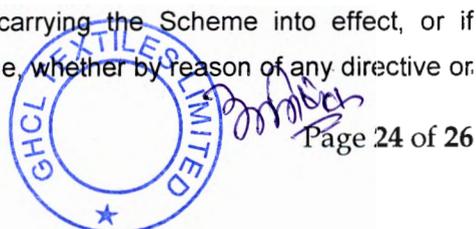
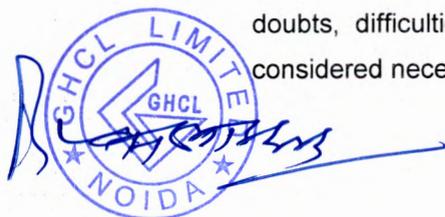
- 17.1 The Demerged Company and the Resulting Company shall make all necessary applications under Sections 230 to 232 read with section 66 and other applicable provisions of the Act to the NCLT for seeking approval of the Scheme.

## 18. MODIFICATION OR AMENDMENT TO THE SCHEME

- 18.1 The Demerged Company and the Resulting Company (through their respective Board of Directors) are empowered and authorised:

- a) To assent from time to time to any modifications or amendments or substitutions of the Scheme or of any conditions or limitations which the NCLT and/or any authorities under law or their respective Boards may deem fit to approve or direct or which may be considered necessary due to any change in law or as may be otherwise be deemed expedient or necessary; and
- b) To settle all doubts or difficulties that may arise in carrying out the scheme and to do and execute all acts, deeds matters and things on behalf of the companies, necessary, desirable or proper for putting the Scheme into effect, including entering into the transitional arrangements, arrangements for carrying out or performing all such formalities or compliances as may be deemed proper and necessary for effecting transfer and vesting of the properties of the Demerged Undertaking and deciding any question that may arise as to whether whole or part of specific asset or liabilities pertain or does not pertain or arises out of the activities or operations of any such undertaking or whether a specific employee is or is not substantially engaged in relation to the Demerged Undertaking.

- 18.2 The Demerged Company and the Resulting Company by their respective Board are authorized to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme into effect, or if considered necessary, for withdrawal of the Scheme, whether by reason of any directive or



order of any other authorities or due to any business/ commercial reason as may be decided by the Board or otherwise howsoever, arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

- 18.3 For matters not specifically addressed in the Scheme relating to accounting, the Board of Directors of the Demerged Company/Resulting Company is authorized to account for the balances in their respective books of accounts in the manner, as may be deemed fit, in accordance with the prescribed Accounting Standards issued by the Central Government as may be amended from time to time and the Generally Accepted Accounting Principles in India in consultation with the Auditors.

## **19. SCHEME CONDITIONAL ON APPROVAL / SANCTIONS**

19.1 This Scheme is and shall be conditional upon and subject to:

- a) The Scheme being approved by the requisite majority in number and value of the various class of shareholders and/or creditors (where applicable) of the Demerged Company and the Resulting Company respectively, as required under the Act and as may be directed by the NCLT.
- b) The Scheme being sanctioned by the NCLT or any other statutory or regulatory authority, including but not limited to stock exchange(s) and/or Securities and Exchange Board of India, which by law may be necessary for the implementation of this Scheme;
- c) Certified copies of the orders of the NCLT sanctioning the Scheme being filed with the concerned Registrar of Companies, by the Demerged Company and the Resulting Company respectively.

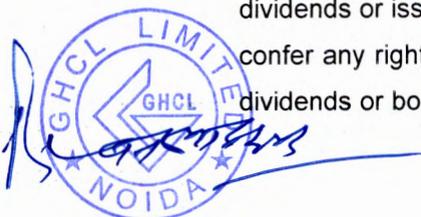
## **20. EFFECT OF NON RECEIPT OF APPROVALS**

20.1 In the event that the scheme is not sanctioned by the NCLT or in the event any of the other requisite consents, approvals, permissions, sanctions or conditions are not obtained or complied with or for any other reason, the scheme cannot be implemented, the scheme shall not take effect and shall be withdrawn and in that event no rights or liabilities, whatsoever, shall accrue to or be incurred inter se by the parties or their shareholders or creditors or employees or any other person.

## **21. DIVIDENDS**

21.1 The Demerged Company and the Resulting Company shall be entitled to declare and make a distribution/pay dividends, whether interim or final, and/or issue bonus shares, to their respective members/shareholders prior to the Effective Date in accordance with Applicable Laws.

21.2 It is clarified that the aforesaid provisions in respect of making distributions, declaring dividends or issuing bonus shares are enabling provisions only and shall not be deemed to confer any right on any members of the Companies to demand or claim any distributions, dividends or bonus shares which, subject to the provisions of the said Act, shall be entirely



at the discretion of the Board of Directors of the Companies, subject to the approval of the shareholders, as may be required.

**22. COMPLIANCE WITH APPLICABLE LAWS**

22.1 The Companies undertake to comply with all Applicable Laws (including all applicable compliances required by the SEBI and the Stock Exchanges and all applicable compliances required under the Foreign Exchange Management Act, 1999, Overseas Direct Investment Regulations and the rules regulations and guidelines issued thereunder as may be prescribed by the RBI, from time to time) including making the requisite intimations and disclosures to any statutory or regulatory authority and obtaining the requisite consent, approval or permission of the Central Government, RBI (if required) or any other statutory or regulatory authority, which by law may be required for the implementation of this Scheme or which by law may be required in relation to any matters connected with this Scheme

**23. COSTS**

23.1 All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of the Demerged Company and the Resulting Company arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto shall be borne by the Demerged Company.

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