

CERTIFIED TRUE COPY
For TITAN COMPANY LIMITED


A.R. RAJARAM
HEAD-LEGAL & COMPANY SECRETARY

**SCHEME OF ARRANGEMENT
BETWEEN
TITAN COMPANY LIMITED
(TRANSFEROR COMPANY)
AND
TITAN ENGINEERING & AUTOMATION LIMITED
(TRANSFeree COMPANY)
AND
THEIR RESPECTIVE SHAREHOLDERS**

(2)

(Under the provisions of Section 391 to 394 of the Companies Act, 1956)

PREAMBLE

The Scheme of Arrangement has been formulated and presented under section 391 to 394 for the transfer and vesting of Precision Engineering Business of Titan Company Limited to Titan Engineering & Automation Limited. Upon the relevant sections of the Companies Act 2013 pertaining to scheme of arrangement, compromise or reconstruction of companies being notified by the Ministry of Corporate Affairs ("MCA"), the Scheme of Arrangement shall be deemed to have been formulated and presented under sections 230 to 240 of the Companies Act, 2013.

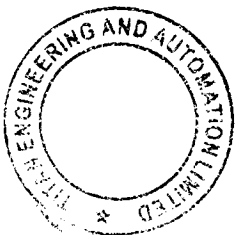
DESCRIPTION OF COMPANIES

- a. Titan Company Limited (hereinafter referred to as "**Transferor Company**"), the corporate particulars in respect of which are given in clause 1.1 (n) of Part 1 herein, has been incorporated under the Companies Act, 1956 on July 26, 1984. The Transferor Company is principally engaged in four business divisions as below -
- (i) Watches and Accessories Division
 - (ii) Jewellery Division
 - (iii) Eye Wear Division
 - (iv) Precision Engineering Division

(Hereinafter referred to as the "**Business of the Transferor Company**").

The equity shares of the Transferor Company are listed on BSE Limited and National Stock Exchange of India Limited (hereinafter referred to as "**Stock Exchanges**")

- b. Titan Engineering & Automation Limited (hereinafter referred to as "**Transferee Company**"), the corporate particulars in respect of which are given in clause 1.1 (m) of Part 1 herein, has been incorporated under the Companies Act, 2013 on March 24, 2015. The Transferee Company is engaged in precision engineering business (hereinafter referred to as the "**Business of the Transferee Company**").
- c. The Transferor Company under this Scheme of Arrangement proposes to transfer and vest with the Transferee Company, the entire properties, assets, liabilities, rights, and operations of its Precision Engineering Business (hereinafter referred to as the "**PEB Undertaking**"). The Remaining Business of

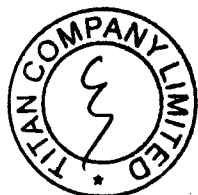


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the Transferor Company would continue to remain with the Transferor Company (**also referred to as the "Remaining Undertaking"**).

RATIONALE OF THE SCHEME

- a. The Business of the Transferor Company is continuously growing both horizontally and vertically. However, the Transferor Company needs to focus strategic attention to various parts / aspects of both the undertakings for maintaining the growth momentum.
- b. In order to strengthen and sustain the long term growth, profitability, market share, customer service and face the competitive regulatory environment, risks and policies, the PEB Undertaking requires focused management attention, different skill sets and resources. Similarly, the Remaining Undertaking has a different profile requiring different kind of focus and attention to meet the ever expanding market and growth opportunities, varied regulatory requirements, risks and litigation.
- c. Further, the nature of risk and competition involved in Precision Engineering Business is distinct. The investments made in this division are capable of being leveraged so as to derive better gains for shareholders of the Transferor Company.
- d. Opportunities for creating strategic partnership and flexibility of fund raising capability for future growth and expansion and to create a business structure, which is geared to take advantage of possible growth opportunities. It was therefore decided that PEB Undertaking should be transferred to Transferee Company. The division and segregation of the PEB Undertaking from the Remaining Undertaking and transfer of the same to the Transferee Company will have better financial, business and operational prospects including but not limited to efficient management of costs and improved administrative control of the Precision Engineering Business.
- e. The proposed Scheme of Arrangement is in the larger interest of the Transferor Company and the Transferee Company, and its shareholders, creditors and other stakeholders. There is no likelihood that any concerned members, creditors or other stake holders of either the Transferor Company or the Transferee Company would be prejudiced as a result of the Scheme.
- f. With the aforesaid objectives, the Board of Directors of the Transferor Company seek to restructure the Business of the Transferor Company by transferring the PEB Undertaking (*defined hereinafter in Clause 1.1 (f)*) and vesting it with the Transferee Company. In this direction, an application is intended to be made to the Honourable High Court of Judicature, at Madras, Tamil Nadu.



PARTS OF THE SCHEME

The Scheme is divided into the following parts:

- (a) Part 1 : Deals with Definitions and Share capital
- (b) Part 2 : Deals with the Transfer of Precision Engineering Business of Titan Company Limited into Titan Engineering & Automation Limited.
- (c) Part 3 : Deals with the General Terms and Conditions

PART 1

1 DEFINITION AND SHARE CAPITAL

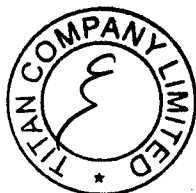
1.1 DEFINITIONS

In the Scheme of Arrangement (as defined hereunder), unless inconsistent with the subject or context, the under mentioned expressions shall have the following meaning:

- (a) "Act" means the Companies Act, 1956 read with the applicable Rules thereunder, and any statutory amendments or re-enactment thereof and the applicable provisions of Companies Act, 2013 read with applicable Rules as may be prescribed or notified by the Government of India for the time being in force.
- (b) "Appointed Date" means the date from which the provisions of the scheme shall become operational i.e., 1st day of April, 2015 or such other date as the High Court of Judicature, at Madras, Tamil Nadu may direct or fix from which date the Scheme comes into operation.
- (c) "Book Value (s)" means the value (s) of the assets and liabilities of the PEB Undertaking as appearing in the books of accounts of the Transferor Company at the close of business as on the day immediately preceding the Appointed Date and excluding any value arising out of revaluation of any assets.
- (d) "Court" or "High Court" means the Honourable High Court of Judicature, at Madras, Tamil Nadu as applicable and shall include National Company Law Tribunal ("NCLT") and the National Company Law Appellate Tribunal ("NCLAT"), if applicable.
- (e) "Effective Date" means the last of the dates on which the sanctions, approvals, or orders on the scheme have been obtained and the last of the dates on which the certified copies of the orders of the High Court sanctioning the Scheme are filed with the Registrar of Companies, Coimbatore, Tamil Nadu. All references in this scheme to the date of coming into effect of the Scheme shall mean "the Effective Date".
- (f) "PEB 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, in relation to and pertaining to the Precision Engineering Business on a going concern basis, together with all its assets and liabilities and shall mean and include (without limitation):

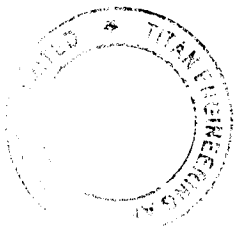


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- i) All assets and property pertaining to Precision Engineering Business whether movable or immovable, real or personal, possession or reversion, corporeal or incorporeal, present or future, tangible or intangible, contingent or whatsoever nature, wheresoever situated including but without being limited to buildings, pipelines and valves, plant and machineries, vehicles, capital work-in-progress computers, furniture and fixtures, office equipment, investments, loans and advances, interest accrued, contingent rights or benefits 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 Transferor Company, whether in India or abroad;
 - ii) 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 Transferor Company in connection with or relating to the Precision Engineering Business.
 - iii) All employees relating to the Precision Engineering Business, as identified by the Board of Directors of Transferor Company, as on the Effective Date.
 - iv) All necessary records, files, papers, process information, computer programmes, 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 Precision Engineering Business of the Transferor Company.
 - v) Without prejudice to the generality of the foregoing, it is clarified that all consents, approvals, permissions, licenses, certificates, authorities relating to the Precision Engineering Business shall stand transferred to the Transferee Company as if the same were originally given by, issued to or executed in favour of the Transferee Company, and the rights and benefits under the same shall be available to the Transferee Company.
 - vi) All liabilities pertaining to / arising out of the activities or operations of the Precision Engineering Business including the following:
 - a. specific loans and borrowings being term loans from banks and financial institutions, bank overdrafts, working capital loans and liabilities, incurred and utilized solely for the activities or operations of the Precision Engineering Business, if any; and
 - b. Liabilities which directly and specifically arise out of the activities or operations of the Precision Engineering Business.
- (g) Provided however that any question that may arise as to whether a specified asset or liability or employee pertains or does not pertain to the Precision Engineering Business or whether it arises out of the activities or operations of the Precision Engineering Business shall be decided by mutual agreement between the Board of Directors of the Transferor Company and the Transferee Company or through a Committee appointed by them in this regard, on the basis of such evidence as they may deem relevant.



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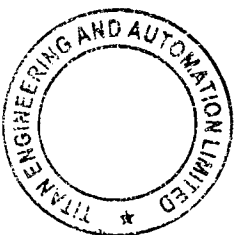
- (h) **“Remaining Undertaking”** means all the business, assets, liabilities, undertakings and divisions of the Transferor Company other than the Precision Engineering Business Undertaking.
- (i) **“Scheme of Arrangement”** or **“Scheme of Transfer”** or **“this Scheme”** or **“the Scheme”** means this Scheme of Arrangement in its present form submitted to the High Court or with any modification(s) approved or imposed or directed by the Court.
- (j) **“SEBI”** means Securities Exchange Board of India established under the Securities Exchange Board of India Act, 1992.
- (k) **“SEBI Circulars”** means Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 and Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 each issued by SEBI or any other circulars issued by SEBI applicable to the Scheme of Arrangement.
- (l) **“Stock Exchanges”** mean the Stock Exchanges on which the shares of Transferor Company are listed i.e., BSE Limited and National Stock Exchange of India Limited.
- (m) **“Transferee Company”** means Titan Engineering & Automation Limited, incorporated on March 24, 2015 under the Companies Act, 2013 in the state of Tamil Nadu. The Corporate Identity Number of Titan Engineering & Automation Limited is U33111TZ2015PLC021232. The Registered Office is at 3, SIPCOT Industrial Complex, Hosur, Tamil Nadu-635 126.
- (n) **“Transferor Company”** means Titan Company Limited, incorporated on July 26, 1984 as a public limited company under the Companies Act, 1956 in the state of Tamil Nadu under the name and style of Titan Watches Limited. On September 21, 1993 the company changed its name from Titan Watches Limited to Titan Industries Limited. Further the name of the company was once again changed from Titan Industries Limited to Titan Company Limited on August 1, 2013. The Corporate Identity number of Titan Company Limited is L74999TZ1984PLC001456 and has registered office at 3, Sipcot Industrial Complex, Hosur, Tamil Nadu – 635 126. The equity shares of the company are listed on BSE Limited and National Stock Exchange of India Limited.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India Act. 1992 (including the regulations made thereunder), the Depositories Act, 1996 and other applicable laws, rules, regulations and bye-laws as the case may be, including any statutory modification or re-enactment thereof from time to time.

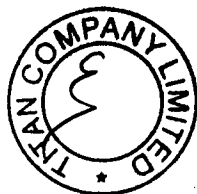
1.2 SHARE CAPITAL

a. Transferor Company:

The authorized, issued, subscribed and paid-up share capital of the Transferor Company as on 31st March 2015 is as under:-



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Particulars	Amount in Rs.
Authorized Capital	
1,200,000,000 Equity shares of Rs. 1/- each	1,200,000,000
4,000,000 Redeemable cumulative preference shares of Rs. 100/- each	400,000,000
TOTAL	1,600,000,000
Issued, Subscribed and Paid Up Capital	
887,786,160 Equity shares of Rs.1/-each	887,786,160
TOTAL	887,786,160

As on the date of the Scheme being approved by the Board of Directors there is no change in authorized, issued, subscribed and paid-up equity share capital of the Transferor Company.

b. Transferee Company:

The authorized, issued, subscribed and paid-up capital of Transferee Company as on date of incorporation i.e., 24th March 2015 is as under:

Particulars	Amount in Rs.
Authorized Capital	
50,000 Equity shares of Rs.10/-each	5,00,000
TOTAL	5,00,000
Issued, Subscribed and Paid-up Capital	
50,000 Equity shares of Rs.10/-each	5,00,000
TOTAL	5,00,000

As on the date of the Scheme being approved by the Board of Directors there is no change in authorized, issued, subscribed and paid-up equity share capital of the Transferee Company.

1.3 DATE WHEN THE SCHEME COMES INTO OPERATION

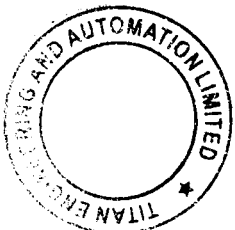
The Scheme set out herein in its present form or with any modification(s) made in accordance approved or imposed or directed by the High Court or any other appropriate authority shall be operative from the Appointed Date but shall be effective from the Effective Date.

Any reference in this Scheme to "upon the Scheme becoming effective " or "effectiveness of the Scheme" or "upon the coming into effect of the Scheme" shall mean the Effective Date.

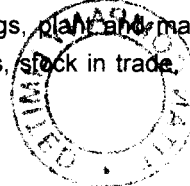
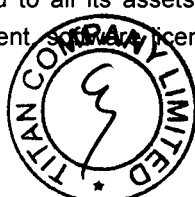
PART 2

2.1 TRANSFER AND VESTING OF THE PEB UNDERTAKING INTO THE TRANSFEREE COMPANY

2.1.1 With effect from the Appointed Date, the entire business and whole of PEB Undertaking including but not limited to all its assets, land, factory buildings, plant and machinery, furniture & fixtures, office equipment, licenses, work in progress, stock in trade, scrap, finished goods, semi-

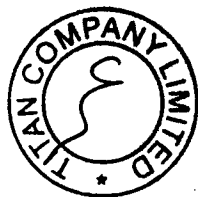


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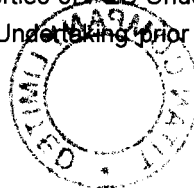
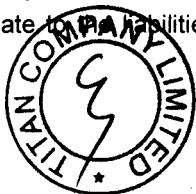
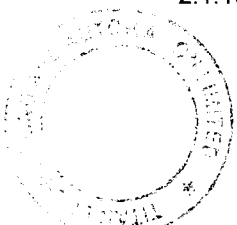
finished goods, inventories, investments, trade receivables, cash and bank balances, loans and advances including but not limited to balances with Government authorities, rebate on excise duty, export incentives receivable, claims receivable, prepaid expenses, deposits recoverable, advances to suppliers, sales tax and service tax, deposits of any nature, balance with excise department, forward contract gain, interest accrued and other tangible and intangible assets and liabilities of the PEB Undertaking shall under the provisions of Sections 391 to 394 of the Act and pursuant to the orders of the High Court or any other appropriate authority sanctioning this Scheme and without further act, instrument or deed, but subject to the charges affecting the same as on the Effective Date be transferred and / or deemed to be transferred to and vested in the Transferee Company so as to become the assets of the Transferee Company.

- 2.1.2 Further, all assets acquired by the Transferor Company after the Appointed Date and prior to the Effective Date for the purposes of PEB Undertaking shall also be transferred to and vested in and/or be deemed to be transferred to and vested in the Transferee Company upon the coming into effect of the Scheme.
- 2.1.3 With effect from the Appointed Date, all liabilities, obligations and debts including but not restricted to secured loans, term loans and working capital loans from banks and related party, employee benefits, short term borrowings, packing credit facility, cash credit facility, trade payables, other current liabilities, gratuity, leave encashment, contingent liabilities and other liabilities of any kind pertaining to PEB Undertaking, as on the Appointed Date whether provided for or not in the books of accounts of the Transferor Company, and all other liabilities which may accrue or arise after the Appointed Date up to the Effective Date, but which relates to the period on or up to the day of the Appointed Date shall under the provisions of Sections 391 to 394 of the Act and pursuant to the orders of the High Court or any other appropriate authority sanctioning this Scheme and without further act, instrument or deed, be transferred or deemed to be transferred to and vest in and be assumed by the Transferee Company, so as to become as from the Appointed Date outstanding creditors, provisions, guarantees, contingent liabilities and other liabilities of the Transferee Company on the same terms and conditions as were applicable to the Transferor Company.
- 2.1.4 Where any of the liabilities and obligations pertaining to PEB Undertaking as on the Appointed Date deemed to be transferred to the Transferee Company have been discharged by the Transferor Company after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Transferee Company, and all loans raised and used and all liabilities and obligations incurred by the Transferor Company for the purposes of PEB Undertaking after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used or incurred for and on behalf of the Transferee Company and to the extent they are outstanding on the Effective Date, shall also without any further act or deed be and stand transferred to the Transferee Company and shall become its liabilities and obligations.
- 2.1.5 With effect from the Appointed Date the assets pertaining to PEB Undertaking, which are movable in nature or are otherwise capable of transfer by physical or constructive delivery or by endorsement and delivery, shall be so transferred by the Transferor Company and shall become the property of the Transferee Company without any act or deed on the part of the Transferor Company and the Transferee Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favor of Transferee Company.



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- 2.1.6 With effect from the Appointed Date, the immovable properties pertaining to PEB Undertaking (including land, buildings and any other immovable property) transferred to the Transferee Company, and any documents of title, rights and easements in relation thereto, shall stand vested in the Transferee Company, without any act, instrument 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 (if any and as may be applicable), and fulfill 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 High Court and on the Scheme becoming effective, in accordance with the terms hereof and the Transferor Company shall be entitled to lawful, peaceful and unencumbered possession, right, title, interest of the immovable properties vested with it pursuant to the Scheme.
- 2.1.7 With effect from the Appointed Date and subject to the Scheme becoming effective, all rights, statutory licenses, permissions, approvals or consents pertaining to PEB Undertaking shall stand vested in or transferred to Transferee Company without any further act or deed and shall be appropriately mutated by the statutory authorities concerned in favor of the Transferee Company. The benefit of all such statutory and regulatory permission, environment approvals and consents, registrations or other licenses and consents shall vest in and become available to the Transferee Company pursuant to the Scheme. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges enjoyed, granted by any government body, local authority or by any other person or availed of by the Transferor Company in relation to PEB Undertaking, is concerned, the same shall vest with and be available to Transferee Company on the same terms and conditions.
- 2.1.8 All the loans, advances and other facilities sanctioned to the Transferor Company in relation to the PEB Undertaking, by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilized shall be deemed to be the loans and advances sanctioned to the Transferee Company and the said loans and advances shall be drawn and utilized either partly or fully by the Transferor Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by the Transferor Company (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to the Transferee Company and all the obligations of the Transferor Company under any loan agreement shall be construed and shall become the obligation of the Transferee Company without any further act or deed on the part of the Transferee Company.
- 2.1.9 Upon the coming into effect of this Scheme, the borrowing limits of the Transferee Company in terms of Section 180 (1) (c) of the Act, if any applicable shall be deemed without any further act or deed to have been enhanced by the borrowing limits approved for PEB Undertaking by the Transferor Company pursuant to the Scheme, such limits being incremental to the existing limits of the Transferee Company, with effect from the Appointed Date.
- 2.1.10 Any existing encumbrances over the assets and properties of PEB Undertaking or any part thereof which relate to the liabilities and obligations of PEB Undertaking prior to the Effective Date shall



continue to relate only to such assets and properties of Transferee Company transferred to and vested in Transferee Company by virtue of this Scheme and shall not extend or attach to any of the assets and properties of Remaining Undertaking of Transferor Company. If any securities, collateral of the Transferor Company continues to be attached for the loans transferred/ provided to the Transferee Company pursuant to the Scheme or vice-versa, the same would be deemed to be in compliance with Section 185, 188 of the Act and other related sections and no further action would be necessary under those Sections till the discharge of those loans by respective company.

2.1.11 The Transferee Company shall under the provisions of the Scheme be deemed to be authorized to execute any such writings on behalf of the Transferor Company, to implement and carry out all formalities and compliances, if required, referred to above.

2.1.12 In relation to any assets, approval, statutory and regulatory permissions and consents of the PEB Undertaking or to which the Transferor Company is a party or a holder and which cannot be transferred to the relevant Transferee Company for any reason whatsoever, the same shall be held in trust by the Transferor Company for the benefit of the relevant Transferee Company till such transfer, in so far as it is permissible so to do, till such time as the transfer is into effect.

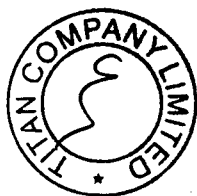
2.2 CONSIDERATION

2.2.1 The Transferee Company is a wholly owned subsidiary of the Transferor Company. The Scheme is intended to strengthen and provide focused growth to the PEB Undertaking by transfer it to wholly owned subsidiary and does not involve any movement of assets and liabilities to any company outside the group.

2.2.2 Subject to terms and conditions of this Scheme, the consideration for the sale, transfer and vesting of the PEB Undertaking into Transferee Company shall not exceed INR **170,00,00,000** (Rupees **One hundred and seventy crores only**). The final consideration shall be mutually arrived at by the Board of the Transferor Company and the Transferee Company after taking into consideration, amongst other things, the values of the assets and liabilities pertaining to PEB undertaking as on the appointed date.

2.2.3 Upon the Scheme becoming effective and on vesting of the PEB undertaking, The Transferee Company shall take necessary steps to discharge the consideration as mentioned in clause 2.2.2 above in cash. The cash consideration shall be discharged by the Transferee Company to Transferor Company within 180 business days from the Effective date.

2.2.4 It is clarified that nothing contained in the scheme shall be construed to imply that the transfer and vesting of the PEB Undertaking shall remain or deemed to have remained suspended or in abeyance till the process of discharge of consideration amount in terms of clause 2.2.2 is completed.



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2.3 **ACCOUNTING TREATMENT**

- 2.3.1 The Transferor Company shall, upon the Scheme becoming effective, record the deletion of the assets and liabilities of the PEB Undertaking vested in the Transferee Company pursuant to this Scheme at their respective Book Values.

The excess/ deficit of the aggregate value of consideration received under clause 2.2.1 above, over the book value of PEB undertaking transferred shall be adjusted against the balance of Profit and Loss Account.

- 2.3.2 The Transferee Company shall upon the Scheme becoming effective, record the assets and liabilities of the PEB Undertaking transferred to and vested in it pursuant to this Scheme by allocating the consideration to the respective assets and liabilities based upon the values determined as per the valuation report issued by valuer or such a competent person as decided by the Board of Directors of Transferee Company from time to time.
- 2.3.3 With effect from the Appointed date for the limited purpose of consolidation of the financials of the Transferor and Transferee Company on every balance sheet date any gain or loss arising due to transfer and vesting of PEB undertaking as per scheme shall be ignored and the financial statements shall be consolidated as per the Accounting Standard "Consolidated Financial Statements" issued by ICAI.
- 2.3.4 Notwithstanding anything contrary contained in the Scheme, the accounting treatment for all clauses of the Scheme would be as per the Accounting Standards specified by the Central Government.

2.4 **CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS**

Subject to the provisions of the Scheme, all contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature in relation to the PEB Undertaking to which the Transferor Company is a party, or the benefit pertaining to the PEB Undertaking to which the Transferor Company is or may be eligible, subsisting or operative immediately on or before the Effective Date, shall be in full force and effect against or in favor of the Transferee Company and may be enforced as fully and effectively as if instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto from the inception. The Transferee Company shall enter into and/or issue and/or execute deeds, writings or confirmation or enter into any multipartite agreement, confirmations or novations to which the Transferor Company will, if necessary, also be a party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary. Further, the Transferee Company shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of the Transferor Company and to implement or carry out all formalities required on the part of the Transferor Company to give effect to the provisions of this Scheme.

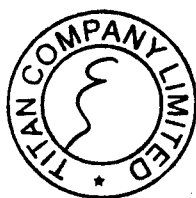


2.5 **LEGAL PROCEEDINGS**

- 2.5.1 All legal proceedings of whatsoever nature by or against the Transferor Company pending and/or arising before the Appointed Date and relating to PEB Undertaking, shall not abate or discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against the Transferee company, as the case may be in the same manner and to the same extent as would or might have been continued or enforced by or against the Transferor Company.
- 2.5.2 After the Appointed date, if any proceedings are taken against the Transferor Company in respect of the matters referred to in clause 2.5.1, the Transferor Company shall defend the same at the cost of the Transferee Company, and the Transferee Company shall reimburse and indemnify the Transferor Company against all the liabilities and obligations incurred by the Transferor Company in respect thereof.
- 2.5.3 The Transferee Company undertakes to have all legal or other proceedings initiated by or against the Transferor Company referred to in clause 2.5.1 or 2.5.2, transferred into its name and to have the same continued, prosecuted and enforced by or against the Transferee Company as the case may be, to the exclusion of the Transferor Company.

2.6 **STAFF, WORKMEN AND EMPLOYEES OF PEB UNDERTAKING**

- 2.6.1 Upon the Scheme becoming effective, all the staff, executives, workmen and other employees (hereinafter to as "Employees"), if any, engaged in the PEB Undertaking as and from the Effective Date shall become the Employees of the Transferee Company on the basis that:
- (a) their service shall have been continuous and shall not have been interrupted by reason of the Transfer;
 - (b) the terms and conditions of service applicable to the said Employees after such transfer shall not in any way be less favourable to them than those applicable to them immediately before the transfer; and
 - (c) It is expressly provided that as far as Provident Fund, Gratuity Fund, Super Annuation Fund or any other Special Fund created or existing for the benefit of the Employees, if any, of the PEB Undertaking are concerned, upon the Scheme becoming effective, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever related to the balances standing in the credit of such fund, administration or operations of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with the provisions of such Funds as per the terms provided in the respective Trust Deeds. It is the aim and intent that all the rights, duties, powers and obligations of the Transferor Company in relation to such funds shall become those of the Transferee Company and all the rights, duties and benefits of the employees employed in the PEB Undertaking under such Funds and Trusts shall be protected. It is clarified that the services



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of the Employees of the PEB Undertaking will also be treated as having been continuous for the purpose of the aforesaid Funds.

2.7 CONDUCT OF BUSINESS TILL EFFECTIVE DATE

2.7.1 With effect from the Appointed Date and upto and including the Effective Date:

- (a) The Transferor Company shall carry on and be deemed to have carried on its business and activities relating to the PEB Undertaking and shall stand possessed of all its assets and properties referred to above, in trust for the Transferee Company and shall account for the same to the Transferee Company. The Transferor Company shall hold the said assets with utmost prudence until the Effective Date.
- (b) Any income or profit accruing or arising to the Transferor Company and all costs, charges, expenses and losses incurred by the Transferor Company relating to the PEB Undertaking shall for all purposes be treated as the income, profits, costs, charges, expenses and losses or taxes, as the case may be, of the Transferee Company and shall be available to the Transferee Company.
- (c) All proceedings of whatsoever nature (legal and other, including any suits, appeals, arbitration, execution proceedings, revisions, writ petitions, if any by or against the Transferor Company pertaining to the PEB Undertaking shall not abate, be discontinued or be in any way prejudicially affected by reason of this Scheme, but the said proceedings, shall till the Effective Date be continued, prosecuted and enforced by or against the Transferor Company as if this Scheme had not been made and thereafter be continued, prosecuted and enforced by or against the Transferee Company. Transferee Company in the same manner and to the same extent as they would or might have been continued prosecuted and enforced by or against the Transferor Company if this Scheme had not been made. The Transferee Company shall take steps to have the above mentioned proceedings continued in its name.
- (d) The Transferor Company shall carry on its business activities relating to the PEB Undertaking with reasonable diligence and business prudence. The Transferor Company shall not without prior written consent of Transferee Company, sell, transfer, alienate, charge, mortgage or encumber or otherwise deal with the PEB Undertaking or any part thereof except in respect of activities in the ordinary course of business

2.8 SAVING OF CONCLUDED TRANSACTIONS

The transfer of assets, properties and liabilities above and the continuance of proceedings by or against Transferee Company above shall not affect any transaction or proceedings already concluded in Transferor Company, in relation to the Transferor Undertaking on or after Appointed Date till the Effective Date, to the end and intent that Transferee Company accepts and adopts all



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acts, deeds, and things done and executed by Transferor Company, in relation to the Transferred Undertaking in respect thereto as done executed on their behalf.

2.9 DECLARATION OF DIVIDEND

For the avoidance of doubt it is hereby clarified that nothing in this scheme shall prevent Transferor Company from declaring and paying dividends whether interim or final to its equity shareholders. However the Transferor Company shall not utilize the profits or income if any relating to the PEB Undertaking for the purpose of declaring or paying any dividend to its shareholders or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of the Transferee Company.

PART 3 - GENERAL TERMS AND CONDITIONS

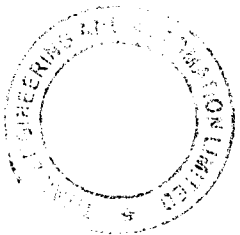
3.1 REMAINING UNDERTAKING

The Remaining Undertaking shall continue to belong to and be vested in and be managed by the Transferor Company. With effect from the Appointed Date:

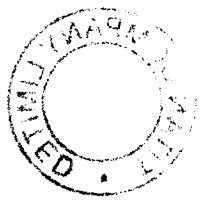
- a) The Transferor Company shall carry on and shall be deemed to have been carrying on all business and activities relating to the Remaining Undertaking for and on its own behalf;
- b) All profits accruing to the Transferor Company thereon or losses arising or incurred by it (including the effect of taxes, if any, thereon) relating to the Remaining Undertaking shall, for all purposes, be treated as the profits or losses, as the case may be of the Transferor Company; and
- c) All assets and properties acquired by the Transferor Company in relation to the Remaining Undertaking on or after the Appointed Date shall belong to and continue to remain vested in the Transferor Company.

3.2 APPLICATION TO COURT

The Transferor Company and the Transferee Company shall, with all reasonable despatch, make and pursue applications to the High Court, under Section 391 of the Act, seeking orders for dispensing with or convening, holding and conducting of the meetings of the respective classes of the members and/or creditors of each of the Transferor Company and the Transferee Company as may be directed by the Court and for sanctioning the Scheme under Sections 391 and 394 of the Act, and for such other order or orders, as the said Court may deem fit for carrying this Scheme into effect.



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3.3 MODIFICATIONS / AMENDMENTS TO THE SCHEME

3.3.1 The respective Boards of Directors of the Transferor Company and the Transferee Company or such other person or persons, as the respective Boards of directors may authorize including any committee or sub-committee thereof -

- (i) may assent to any modification or amendment to the Scheme which the Court and / or any other authorities under law may deem fit to direct or impose; and / or
- (ii) may assent to any terms and / or conditions which the Court and / or any other authorities under law may deem fit to direct or impose; and / or
- (iii) may give such directions and / or may assent to any modification or amendment which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and / or carrying out the Scheme;
- (iv) may do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme, and the aforesaid modifications, amendments and terms and conditions; and / or
- (v) may also in their full and absolute discretions, withdraw or abandon the Scheme at any stage of the proceedings.

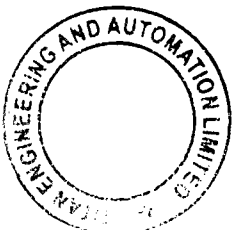
3.3.2 For the purpose of giving effect to the Scheme after it is sanctioned by the Court, the Directors of the Transferor Company and the Transferee Company are authorised to identify / allocate / apportion the assets and liabilities covered under the Scheme.

3.3.3 If any part or clause of this Scheme hereof is invalid, ruled illegal by any Court of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the Parties that such part or clause, as the case may be, shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part or clause shall cause this Scheme to become materially adverse to any Party, in which case the Parties shall attempt to bring about a modification in the Scheme, as will best preserve for the Parties the benefits and obligations of the Scheme, including but not limited to such part or clause.

3.4 SCHEME CONDITIONAL ON APPROVALS / SANCTIONS

This Scheme is conditional and is subject to:

- a) The Scheme being approved by the requisite majorities in number and value of shareholders and/ or creditors of Transferor and Transferee Company as may be directed by the Court.
- b) The sanction of the Court under Sections 391 to 394 and other applicable provisions of the Act being obtained by the Transferor Company and Transferee Company, as the case may be.



- c) Such other sanctions and approvals as may be required by law and all necessary certified copies of the orders referred to in the Scheme being filed with the Registrar of Companies, Coimbatore.

3.5 EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS

In the event of the Scheme not being sanctioned by the Court and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and in that event, no rights and liabilities shall, inter se, accrue between the parties in terms of the Scheme, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law. Each party shall bear and pay its respective costs, charges and expenses for and/or in connection with the Scheme.

3.6 EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses in relation to or in connection with negotiations leading up to the Scheme and of carrying out and completing the terms and provisions of this Scheme and in relation to or in connection with the Scheme and incidental to the completion of this scheme shall be borne and paid by the Transferor Company.

3.7 RESOLUTION OF DOUBTS/DIFFERENCES

If any doubt or difference or issue shall arise between the parties hereto or any of their shareholders, creditors, employees and / or any other person as to the construction hereof or as to any account or apportionment to be taken or made of any asset or liability transferred under this Scheme or as to the accounting treatment thereof or as to anything else contained in or relating to or arising out of this Scheme, the same shall be decided by the mutual agreement between the Board of Directors of Transferor Company and Transferee Company whose decision shall be final and binding on all concerned.

