

**SCHEME OF ARRANGEMENT (DEMERGER)**  
**BETWEEN**  
**SURANA TELECOM AND POWER LIMITED (“Demerged Company”)**  
**AND**  
**SURANA VENTURES LIMITED (“Resulting Company”)**  
**AND**  
**THEIR RESPECTIVE SHAREHOLDERS**

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**I. PREAMBLE**

- 1.1 Surana Telecom and Power Limited (hereinafter also referred to as “Transferor Company”), the corporate particulars in respect of which are given in clause 2.1(e) of Part 2 herein has been engaged in the businesses of manufacture of telecom products such as Jelly filled telephone cables, jointing kits, electrical power cables and components, Optical fibre cables and Solar Photo Voltaic Modules. The above businesses function as independent divisions within the Transferor Company.
- 1.2 Surana Ventures Limited (hereinafter also referred to as “Transferee Company”), the corporate particulars in respect of which are given in clause 2.1 (j) of Part 2 herein has been engaged in the business of manufacture of Solar Photo Voltaic Modules.
- 1.3 Considering the size of Surana Telecom and Power Limited and significant growth in its business operations and for greater focus in the various activities of the said Company to ensure accelerated growth and improved profitability, it would be advantageous to re-organise the company by vesting the Solar Undertaking of Surana Telecom and Power Limited in Surana Ventures Limited. The re-organisation, essentially to ensure better operational management and focus on

accelerated growth of individual units, will ensure higher returns to the shareholders, creditors, employees and is also in general public interest.

## **Part 2**

### **2.1 DEFINITIONS**

- (a) **“Act”** means the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.
- (b) **“Appointed Date”** means the date from which this Scheme shall become operative viz., 1<sup>st</sup> October 2009 or if the Boards of Directors of the Demerged Company and the Resulting Company require any other date prior or subsequent to 1<sup>st</sup> October 2009 and/or the Court modifies the Appointed Date to such other date, then the same shall be the Appointed Date.
- (c) **“Book Value(s)”** means the value(s) of the assets and the liabilities of the Demerged Undertaking as appearing in the books of accounts of the Demerged Company at the close of the business as on 30<sup>th</sup> September 2009; any amount comprised in such values so appearing as is attributable to any revaluation being ignored.
- (d) **“Court”** means the Hon’ble High Court of Andhra Pradesh or such other Court / Tribunal empowered to sanction the Scheme as per the provisions of the Act.
- (e) **“Demerged Company”** means Surana Telecom and Power Limited, a company incorporated under the Companies Act, 1956 and having its Registered Office at 2<sup>nd</sup> Floor, Surya Towers, Sardar Patel Road, Secunderabad – 500 003.
- (f) **“Demerged Undertaking”** means the Solar Undertaking of the Demerged Company as a going concern (as on the Appointed Date and as modified and altered from time to time to the Effective Date) and shall include:

- i) All the assets through which the Demerged Company carries on its business, activities and operations pertaining to the Solar Undertaking;

For the purpose of identification, the immovable properties of the Solar Undertaking are more fully set out in **Schedule A** hereof;

- ii) All debts, liabilities, duties and obligations including reserves, if any, appertaining or allocated to the Solar Undertaking as on the Appointed Date as more fully set out in the Balance Sheet of the Demerged Undertaking in **Schedule 'B'** annexed hereto;
- iii) Without prejudice to the generality of sub-clauses (i) and (ii) above, the Solar Undertaking of the Demerged Company shall include all assets and properties, whether movable or immovable, real or personal, fixed assets, in possession or reversion, corporeal or incorporeal, tangible or intangible, present assets including stock, investments, claims, powers, authorities, allotments, approvals, registrations, contracts, engagements, arrangements, rights, titles, interests, benefits, advantages, lease-hold rights, tenancy rights, permits, authorisations, quota rights, trade marks, copyrights, patents and intellectual properties, including reserves, provisions, funds, import quotas, import licenses, industrial designs, labels, label designs, equipment and installations and utilities, electricity, water and other service connections, records, files, employees, benefits of agreements, contracts and arrangements, powers, authorities, balances with all regulatory authorities, liberties, advantages, easements and all the right, title, interest, goodwill, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts, earnest moneys/ security deposits and all other rights, claims and powers, of whatsoever nature and where so ever situated belonging to or in the possession of or granted in favour of or enjoyed by the Solar Undertaking

of the Demerged Company, as on the commencement of the Appointed Date and all earnest money and/or deposits including security deposits paid by the Demerged Company in relation to the Demerged Undertaking as on the commencement of the Appointed Date and all other rights, benefits available under any rules, regulations, statutes including direct and indirect tax laws and particularly Sales Tax benefits, Cenvat benefits, import and export benefits and custom duty benefits of the Demerged Company in relation to the Solar Undertaking and in each case, as on the Appointed Date and as modified and altered from time to time to the Effective Date.

- (g) “**Effective Date**” means the later of the dates on which the certified copies of the Order(s) of the Court sanctioning this Scheme of Arrangement (Demerger) are filed with the Registrar of Companies, Andhra Pradesh, by the Demerged Company and the Resulting Company. References in this Scheme to ‘upon the Scheme becoming effective’ or ‘effectiveness of the Scheme’ shall mean the ‘Effective Date’.
- (h) “**Record Date**” means the date to be fixed by the Board of Directors or a committee thereof of the Demerged Company for the purpose of determining the names of the members of the Demerged Company who shall be entitled to receive shares of the Resulting Company upon Scheme coming into effect as specified in this Scheme.
- (i) “**Remaining Undertaking**” means all the business, undertakings and divisions of the Demerged Company other than the Demerged Undertaking transferred to, and vested in, the Resulting Company pursuant to this Scheme.
- (j) “**Resulting Company**” means Surana Ventures Limited, a company incorporated under the Companies Act, 1956 and having its Registered Office at 2<sup>nd</sup> Floor, Surya Towers, Sardar Patel Road, Secunderabad – 500 003.

- (k) **“Scheme of Arrangement (Demerger)”** or **“Scheme of Demerger”** or **“this Scheme”** or **“the Scheme”** means this Scheme of Arrangement (Demerger) in its present form or with any modification(s) approved or imposed or directed by the Court.
- (l) **“Shareholders”** means respectively the persons registered as holders of Equity Shares of the Companies concerned.
- (m) 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 and other applicable laws, rules and regulations, as the case may be, including any statutory modification or re-enactment thereof from time to time.

## **2.2 SHARE CAPITAL**

- (1) The Authorised share capital of the Demerged Company as on 30<sup>th</sup> September 2009 is Rs.150,000,000 divided into 3,00,00,000 Equity Shares of Rs.5/- each. The issued, subscribed and paid up capital of the Transferor Company as on 30<sup>th</sup> September 2009 is Rs. 104,022,000 divided into 20,804,400 Equity Shares of Rs.5/- each.
- (2) The Authorised share capital of the Resulting Company as on 30<sup>th</sup> September 2009 is Rs.50,00,00,000 divided into 5,00,00,000 Equity Shares of Rs.10 each. The issued, subscribed and paid up capital of the Resulting Company as on 30<sup>th</sup> September 2009 is Rs.15,00,00,000 divided into 1,50,00,000 Equity Shares of Rs.10 each.

**PART 3****3. DEMERGER AND VESTING OF DEMERGED UNDERTAKING OF THE DEMERGED COMPANY IN THE RESULTING COMPANY****Transfer and vesting of Demerged Undertaking**

- 3.1. With effect from the Appointed Date and upon the Scheme becoming effective, the Demerged Undertaking comprising all assets and liabilities of whatsoever nature and wheresoever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further act, instrument or deed, be and stand transferred to the Resulting Company as a going concern in accordance with Section 2(19AA) of the Income Tax Act, 1961, so as to become, as and from the Appointed Date, the assets and liabilities of the Resulting Company and there shall be vested in the Resulting Company all the rights, titles, interests or obligations of the said Undertaking therein and shall be free from all encumbrances.
- 3.2. With effect from the Appointed Date and upon the Scheme becoming effective, all the assets relating to the Demerged Undertaking as are movable in nature or incorporeal property or are otherwise capable of transfer by manual delivery or by endorsement and delivery, shall be so transferred, delivered or endorsed and delivered, as the case may be, by the Demerged Company, and shall upon transfer become the property and an integral part of the Resulting Company. In respect of such of the said assets other than those referred to hereinabove, the same shall, without any further act, instrument or deed, be transferred to, and vested in, and/or be deemed to be transferred to and vested in, the Resulting Company.
- 3.3. For the purpose of giving effect to the order passed under Sections 391 to 394 in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders on this Scheme be entitled to get the recordal of the change in the title and

appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking in the Resulting Company.

- 3.4. For avoidance of doubt, upon the Scheme becoming effective, all the rights, title, interest and claims of the Demerged Company in any leasehold properties, including all the leases, of the Demerged Company in relation to the Demerged Undertaking shall, pursuant to Section 394(2) of the Act, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company. The Demerged Company shall, wherever necessary, execute all necessary documents at its cost, to effect and evidence such transfer and vesting of assets, rights, licences etc., covered in this Scheme, more particularly under clauses 3.1 to 3.4 hereof, and make necessary applications to the authorities concerned independently and/or jointly with the Resulting Company for such transfer and vesting.

#### **Transfer of Debts & Liabilities**

- 3.5. (a) With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, reserves, duties and obligations of every kind, nature and description relating to the Demerged Undertaking shall, without any further act or deed, be transferred to, or be deemed to be transferred to the Resulting Company, so as to become as and from the Appointed Date, the debts, liabilities, contingent liabilities, duties and obligations of the Resulting Company and the Resulting Company undertakes to meet, discharge and satisfy the same. In respect of general or multipurpose borrowings, debts, liabilities, if any, shall be transferred to or be deemed to be transferred to the Resulting Company in the proportion of the value of assets transferred. It is hereby clarified that 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 debts, liabilities, contingent liabilities,

duties and obligations have arisen, in order to give effect to the provisions of this sub-clause.

- (b) Where any of the liabilities and obligations attributed to the Demerged Undertaking on the Appointed Date has been discharged by the Demerged Company on behalf of the Demerged Undertaking after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on behalf of the Resulting Company.
- (c) All liabilities and obligations attributed to the Demerged Undertaking, including its unsecured loans, taken over by the Resulting Company, may be discharged by the Resulting Company by way of one time settlement or in any other manner as the Resulting Company may deem fit.
- (d) The transfer and vesting of the Demerged Undertaking 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 Demerged Undertaking, *provided however*, any reference in any security documents or arrangements, to which the Demerged Company is a party, wherein the assets of the Demerged Undertaking have been or are offered or agreed to be offered as security for any financial assistance or obligations, shall be construed as reference only to the assets pertaining to the Demerged Undertaking as are vested in the Resulting Company by virtue of this Scheme, to the end and intent that 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 of the 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 or mortgages shall not extend or be

deemed to extend, to any of the assets of the Demerged Undertaking vested in the Resulting Company, *provided always* that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Demerged Company in relation to the Demerged Undertaking which shall vest in the Resulting Company by virtue of the vesting of the Demerged Undertaking with the Resulting Company and the Resulting Company shall not be obliged to create any further or additional security therefore after the Scheme has become operative.

- (e) All the loans, advances and other facilities sanctioned to the Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilised shall be deemed to be the loans and advances sanctioned to the Resulting Company and the said loans and advances shall be drawn and utilised either partly or fully by the Demerged Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by the Demerged Company in relation to the Demerged Undertaking (within the over all 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 Resulting Company and all the obligations of the Demerged Company in relation to the Demerged Undertaking under any loan agreement shall be construed and shall become the obligation of the Resulting Company without any further act or deed on the part of the Resulting Company.

3.6. All loans raised and used, and liabilities incurred, by the Demerged Company after the Appointed Date, but prior to the Effective Date, for the operations of the Demerged Undertaking shall be discharged by the Resulting Company.

3.7. All loans raised and used, and liabilities repaid by the Demerged Company pertaining to its remaining business after the Appointed Date, but prior to the

Effective Date, utilizing the surplus cash derived from the operations of Demerged Undertaking shall be discharged by the Demerged Company as may be mutually agreed.

### **Transfer at Book Values**

3.8. All the assets, properties and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged Company at the close of business on 30<sup>th</sup> September 2009. For this purpose, any change in value of assets, consequent to their revaluation, if any, shall be ignored.

### **Contracts, Deeds, Bonds and Other Instruments**

3.9. With effect from the Appointed Date and upon the Scheme becoming effective, all contracts, deeds, bonds, agreements, insurance policies and other instruments, if any, of whatsoever nature in relation to the Demerged Undertaking, or to the benefit of which the Demerged Undertaking of the Demerged Company may be eligible, and 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.

3.10. With effect from the Appointed Date and upon the Scheme becoming effective, all permits, quotas, rights, entitlements, licences, registrations (including STPI registrations, if any), trademarks, patents, copy rights, privileges, powers, facilities, subsidies, rehabilitation schemes, special status and other benefits or privileges (granted by any Government body, local authority or by any other person) of every kind and description of whatsoever nature in relation to the Demerged Undertaking of the Demerged Company, or to the benefit of which the Demerged Undertaking of the Demerged Company may be eligible, or having effect immediately before the

Effective Date, shall be and remain in full force and effect in favour of or against the Resulting Company, as the case may be, and may be enforced fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a beneficiary or obligee thereto.

- 3.11. With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licences, permissions or approvals or consents required to carry on the operations of the Demerged Undertaking of the Demerged Company shall stand vested in or transferred 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 benefit of all such statutory and regulatory permissions, licences, approvals and consents including statutory licences, approvals, permissions or approvals or consents required to carry on the operations of the Demerged Undertaking of the Demerged Company shall vest in and become available to the Resulting Company pursuant to the Scheme.
- 3.12. The Resulting Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite agreement, confirmations or novations to which the Demerged Company will, if necessary, also be a party in order to give formal effect to the provisions of this Scheme, if it is so required or if it becomes necessary.

### **Continuation of Legal Proceedings**

- 3.13. With effect from the Appointed Date and upon the Scheme becoming effective, the Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company in respect of the Demerged Undertaking and pending on the Effective Date, transferred in its name and to have the same continued, prosecuted and enforced by or against the Resulting Company to the exclusion of the Demerged Company. The Resulting Company also undertakes to

deal with all legal or other proceedings which may be initiated by or against the Demerged Company or the Resulting Company after the Effective Date relating to the Demerged Undertaking in respect of the period upto the Effective Date, in its own name and account and to the exclusion of the Demerged Company, and further undertakes to pay all amounts including interest, penalties, damages, etc., which the Demerged Company may be called upon to pay or secure in respect of any liability or obligation relating to the Demerged Undertaking for the period upto the Effective Date, and any reasonable costs incurred by the Demerged Company in respect of such proceedings started by or against it relating to the period upto the Effective Date upon submission of necessary evidence by the Demerged Company to the Resulting Company for making such payment.

### **Staff, Workmen and Employees of Demerged Undertaking**

- 3.14. Upon the Scheme becoming effective, all the staff, workmen and other employees engaged in the Demerged Undertaking of the Demerged Company, if any, immediately before Effective Date shall become the staff, workmen and employees of the Resulting Company on the basis that:
- (a) their service shall have been continuous and shall not have been interrupted by reason of the demerger;
  - (b) the terms and conditions of service applicable to the said staff, workmen or 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 staff, workmen and the employees of the Demerged Undertaking of the Demerged Company are concerned, upon the Scheme becoming effective, the Resulting Company shall stand substituted for the Demerged Company for all purposes whatsoever related to the administration or operation 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 Demerged Company in relation to such funds shall become those of the Resulting Company and all the rights, duties and benefits of the employees employed in the Demerged Undertaking of the Demerged Company under such Funds and Trusts shall be protected. It is clarified that the services of the employees of the Demerged Undertaking of the Demerged Company will also be treated as having been continuous for the purpose of the aforesaid Funds.

### **General Terms & Conditions**

- 3.15. Any issue as to whether any asset or liability pertains to Demerged Undertaking or not shall be decided by the Board of Directors of the Demerged Company and the Resulting Company, either by themselves or through a Committee appointed by them in this behalf, on the basis of such evidence as they may deem relevant (including the books and records of the Demerged Company).
- 3.16. The Demerged Company and the Resulting Company are expressly permitted to make and/or revise their income tax returns and related TDS certificates and the right to claim refund, advance tax credits, Fringe Benefit Tax Credits, etc. on the Scheme becoming effective as on the Appointed Date and their right to make such revisions in the Income Tax Returns and related Tax Deducted at Source Certificates and the right to claim refunds, advance tax credits, Fringe Benefit tax credits etc., pursuant to the sanction of this Scheme and the Scheme becoming effective, is expressly granted.
- 3.17. Where the Demerged Company is entitled to various benefits under incentive schemes and policies in relation to the Demerged Undertaking and pursuant to this

Scheme it is declared that the benefits under all of such schemes and policies shall be transferred to and vest in the Resulting Company and all benefits, entitlements and incentives of any nature whatsoever, including sales tax concessions and incentives, shall be claimed by the Resulting Company and these shall relate back to the Appointed Date as if the Resulting Company was originally entitled to all benefits under such incentive scheme and/or policies, subject to continued compliance by the Resulting Company of all the terms and conditions subject to which the benefits under the incentive schemes were made available to the Demerged Company.

- 3.18. Since each of the permissions, approvals, consents, sanctions, remissions, special reservations, holidays, incentives, concessions and other authorizations in relation to the Demerged Undertaking of the Demerged Company, shall stand transferred by the order of the Court to the Resulting Company, the Resulting Company shall file the relevant intimations, for the record of the statutory authorities who shall take them on file, pursuant to the vesting orders of the Court.
- 3.19. For the purpose of giving effect to the vesting order passed under Sections 391 and 394 of the Act in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders on this Scheme be entitled to get the recordal of the change in the title and appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking of the Demerged Company in the Resulting Company in accordance with the provisions of Sections 391 and 394 of the Act. Upon the Scheme becoming effective and with effect from the Appointed Date, the filing of certified copies of the order of Court sanctioning this Scheme shall constitute a creation / modification of charge in the name of the Resulting Company in accordance with the provisions of Section 127 of the Act and satisfaction of charge in respect of the Demerged Company in accordance with Section 138 of the Act, if there are any existing charges attaching to the Demerged Undertaking.

**Conduct of Business till Effective Date**

3.20. With effect from the Appointed Date and upto and including the Effective Date:

- (a) The Demerged Company shall carry on and be deemed to have carried on its business and activities relating to the Demerged Undertaking and shall stand possessed of all its assets and properties referred to above, in trust for the Resulting Company and shall account for the same to the Resulting Company. The Demerged Company shall hold the said assets with utmost prudence until the Effective Date.
- (b) Any income or profit accruing or arising to the Demerged Company and all costs, charges, expenses and losses or taxes (including but not limited to advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country etc.) incurred by the Demerged Company relating to the Demerged 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 Resulting Company and shall be available to the Resulting Company for being disposed off in any manner as it thinks fit.
- (c) The Demerged Company shall carry on its business activities relating to the Demerged Undertaking with reasonable diligence and business prudence. The Demerged Company shall not undertake any additional financial commitments, borrow any amounts or incur any other liabilities or expenditure, issue any additional guarantees, indemnities, letters of comfort or commitment either for itself or on behalf of its subsidiaries, or sell, transfer, alienate, charge, mortgage or encumber or deal with the Demerged Undertaking except with the written consent of the Resulting Company.
- (d) Pending sanction of the Scheme, the Demerged Company shall not make any change in its capital structure either by any increase, (by issue of equity shares

on a rights basis, bonus shares, convertible debentures or otherwise) decrease, reduction, reclassification, sub-division or consolidation, re-organisation, or in any other manner which may, in any way, affect the Share Entitlement Ratio (as provided for in Clauses 3.24 hereunder), except by mutual consent of the respective Boards of Directors of the Demerged Company and the Resulting Company or as may be expressly permitted under this Scheme or as may be required to give effect to the Scheme.

### **Re-organisation of Share Capital of the Resulting Company**

3.21. Upon the Scheme becoming effective, but prior to the issue of New Equity Shares as contemplated in Clause 3.24 hereunder, the issued, subscribed and paid-up share capital of the Resulting Company as on the Effective Date shall stand reorganised and reduced from the present sum of Rs.15,00,00,000 divided into 1,50,00,000 equity shares of Rs.10/- each fully paid up to Rs.9,00,00,000 divided into 90,00,000 equity shares of Rs.10/- each fully paid up by conversion of 60,00,000 equity shares of Rs.10/- each to 60,00,000 12% Non-convertible Secured Redeemable Debentures of Rs.10/- each fully paid up (“Debentures”).

3.22. The aforesaid Debentures shall be redeemable after a period of 18 months and the terms and conditions attaching to the said Debentures shall be determined by the Board of Directors of the Resulting Company.

3.23. The reduction in the issued, subscribed and paid-up share capital of the Resulting Company as above, shall be effected as an integral part of the Scheme itself and shall be deemed to be in accordance with the provisions of Sections 100 to 104 of the Act as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital. The order of the Court sanctioning the Scheme shall be deemed to be an order

under Section 102 of the Act confirming the reduction without imposing a condition on the Resulting Company to add to its name the words, "and reduced". The provisions of Section 101 of the Act shall not be applicable.

### **Consideration**

3.24. Upon the Scheme becoming fully effective, in consideration of the demerger and transfer and vesting of all assets and liabilities, duties, rights and obligations relating to the Demerged Undertaking of the Demerged Company in terms of Part 3 of the Scheme, the Resulting Company shall, after giving effect to the Re-organisation of its Share Capital provided in Clauses 3.21 to 3.23 under this Part, without any further act or deed, issue and allot 3 Equity Shares of Rs.10/- each credited as fully paid-up (the "New Equity Shares") of the Resulting Company for every 4 Equity Shares of Rs.5/- each fully paid-up held by the Equity shareholders in the Demerged Company, as on the Record Date. The Equity Shares so issued and allotted, shall rank *pari passu* in all respects with the existing Equity Shares of the Resulting Company.

3.25. No shares shall be issued in respect of fractional entitlements, if any, by the Resulting Company, to which the members of the Demerged Company may be entitled on issue and allotment of New Equity Shares of the Resulting Company. The Board of Directors of the Resulting Company shall, instead, consolidate all such fractional entitlements and thereupon issue and allot Equity Shares in lieu thereof to a director or officer of the Resulting Company or such other person as the Board of Directors of the Resulting Company shall appoint in this behalf who shall hold the Equity Shares in trust on behalf of the members entitled to fractional entitlements with the express understanding that such director, officer or person shall sell the same in the market at such time or price or prices in the market or to such person or persons, as he may deem fit, and pay to the Resulting Company, the net sale proceeds thereof, whereupon the Resulting Company shall distribute

such net sales proceeds to the members of the Demerged Company in proportion to their respective fractional entitlements.

- 3.26. Each member of the Demerged Company holding Equity shares in the said company shall have the option, to be exercised by way of giving a notice to the Resulting Company on or before the Record Date, to receive the New Equity Shares of the Resulting Company in dematerialised form. In the event that such notice has not been received by the Resulting Company in respect of any member, the Equity Shares of the Resulting Company shall be issued to such members in physical form.
- 3.27. The New Equity Shares to be issued by the Resulting Company pursuant to Clause 3.24 in respect of any equity shares of the Demerged Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be held in abeyance by the Resulting Company.
- 3.28. For the purpose aforesaid, the Resulting Company shall, if and to the extent required, apply for and obtain any approvals including that of Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the Resulting Company of New Equity Shares to the members of the Demerged Company.
- 3.29. The entire Equity Share Capital of the Resulting Company including the New Equity Shares issued in terms hereof shall, subject to payment of the appropriate fee and approval of the respective stock exchange(s), be listed on recognised stock exchange(s) in India, where the shares of the Demerged Company are already listed.
- 3.30. The issue and allotment of New Equity Shares in the Resulting Company to the members of the Demerged Company as provided in this Scheme shall be deemed

to have been carried out in compliance with the procedure laid down under Section 81(1A) and other applicable provisions, if any, of the Act and it is clarified that no separate approvals shall need to be obtained by the Resulting Company in this regard.

3.31. The New Equity Shares in the Resulting Company allotted pursuant to the Scheme shall remain frozen in the depositories system till listing / trading permission is given by the designated stock exchanges.

3.32. There shall be no change in the shareholding pattern or control in the Resulting Company between the Record Date and the listing in the designated stock exchanges.

### **Accounting Treatment**

#### Treatment in the books of Demerged Company

3.33. The Demerged Company shall upon the Scheme becoming effective, record the deletion of the assets and liabilities of the Demerged Undertaking transferred to and vested in the Resulting Company pursuant to this Scheme at their respective book values as appearing in its books as at the close of business of a day immediately preceding the Appointed Date.

3.34. The excess of the book value of the assets over the value of the liabilities of the Demerged Undertaking of the Demerged Company transferred to and vested in the Resulting Company pursuant to this Scheme shall be accounted for and dealt with in the books of the Demerged Company in its General Reserves.

#### Treatment in the books of Resulting Company

3.35. The Resulting Company shall upon the Scheme becoming effective, record the assets and liabilities of the Demerged Undertaking of the Demerged Company

transferred to and vested in it pursuant to this Scheme at their respective book values as appearing in the books of the Demerged Company as at the close of business of a day immediately preceding the Appointed Date.

- 3.36. The excess or deficit, as the case may be, of the book value of the assets over the value of the liabilities of the Demerged Undertaking of the Demerged Company transferred to and vested in the Resulting Company pursuant to this Scheme shall, after adjusting the aggregate face value of the shares issued by the Resulting Company to the members of the Demerged Company pursuant to this Scheme, be credited by the Resulting Company to its Capital Reserve Account or, as the case may be, shall be debited to Goodwill Account. The Capital Reserve or Goodwill Account, as the case may be, may be dealt with by the Resulting Company as may be determined by its Board of Directors.

### **Remaining Undertaking**

- 3.37. The Remaining Undertaking shall continue with the Demerged Company.
- 3.38. The Remaining Undertaking and all the assets, liabilities and obligations pertaining thereto shall continue to belong to, be vested in and be managed by the Demerged Company.
- 3.39. All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal), by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case, relating to the Remaining Undertaking (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company) in respect of the Remaining Undertaking, shall be continued and enforced by or against the Demerged Company after the Effective Date.

3.40. If any proceedings are made against the Resulting Company in respect of the outstanding matters referred to in Clause 3.37 above, the Resulting Company shall defend the same in accordance with the advice of the Demerged Company and at the cost of the Demerged Company, and the Demerged Company shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by the Resulting Company in respect thereof.

3.41. With effect from the Appointed Date and up to and including the Effective Date:

(a) the Demerged 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 Demerged 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 Demerged Company.

#### **PART 4**

##### **Application to Court**

4.1. The Transferor and Transferee Company shall, with all reasonable despatch, make and pursue applications to the High Court of Andhra Pradesh, for sanctioning this Scheme of Demerger under Sections 391 to 394 of the Companies Act, 1956 for carrying this Scheme into effect.

##### **Modifications / Amendments to the Scheme**

4.2. The Transferor Company (by its Directors) and the Transferee Company (by its Directors)

- (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.

4.3. 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.

4.4. 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.

**Operative Date of the Scheme**

4.5. The Scheme shall be operative with effect from the Appointed Date *i.e.*, 1<sup>st</sup> October 2009 but shall be effective from the Effective Date.

**Scheme Conditional on Approvals / Sanctions**

4.6. This Scheme is conditional and is subject to –

- a) The sanction or approval under any law of the Central Government, State Government, or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
- b) this Scheme being agreed to by the respective requisite majority of the various classes of members and creditors (where applicable) of the Demerged Company and the Resulting Company as required under the Act.
- c) The sanction of the Court under Sections 391 to 394 and other applicable provisions of the Act being obtained by the Demerged Company and the Resulting Company, as the case may be.
- d) 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, Andhra Pradesh.

**Effect of Non-Receipt of Approvals / Sanctions**

4.7. 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.

### **Expenses Connected with the Scheme**

- 4.8. All costs, charges and expenses of the Companies 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.

### **Schedule A**

#### **Details of Immovable Properties of the Demerged Company transferred to, and vested in, the Resulting Company pursuant to the Scheme**

All those parcels of land in Survey No.260 in Kapra Industrial Municipality, Cherlapally village, Ghatkesar Mandal, R. R. District

1. Plot No.212/3 measuring 4191.28 sq. mts situated at Industrial Development Area, Phase II, Cherlapally bounded by North – 18.00 Mts. Road, South – Plot No.215/A & B, East – Plot No.212/4 and West – Plot No.212/2
2. Plot No.212/4 measuring 3783.91 sq. mts situated at Industrial Development Area, Phase II, Cherlapally bounded by North – 18.00 Mts. Road, South – Plot No.215/A , East – Plot No.213/1 and West – Plot No.212/3
3. Plot No.213/1 measuring 1502.75 sq. mts situated at Industrial Development Area, Phase II, Cherlapally bounded by North – 18.00 Mts. Road, South – Plot No.214, East – AO11C Pump Room land and West – Plot No.212/4
4. Plot No.212/2 measuring 4292.80 sq. mts situated at Industrial Development Area, Phase II, Cherlapally bounded by North – 18.00 Mts. Road, South – Plot No.212/1,

East – Plot No.212/3 and West – 18.00 Mts. Road in survey no 255 in Kapra Industrial Municipality, Cherlapally village, Ghatkesar Mandal, R. R. District

**Schedule B**

**Balance Sheet of the Demerged Undertaking as on 30<sup>th</sup> September 2009**

Rs. In lakhs	
	<b>Solar Division</b>
<b>Sources of Funds</b>	
Share capital	
Reserves and Surplus	
Head Office Account	1,203.32
<b>Loan Funds</b>	
Secured loans	
Unsecured loans	
Deferred Tax Liability	
<b>Total</b>	<b>1,203.32</b>
<b>Application of Funds</b>	
<b>Fixed Assets (At cost)</b>	
Gross Block	297.64
Less Depreciation	46.73
Net Block	250.90
<b>Current Assets, Loans and advances</b>	
Inventories	1,699.44
Sundry debtors	5.45
Cash & Bank Balances	244.40
Loans & Advances	11.96
Other Current Assets	-
	1,961.26
<b>Less Current Liabilities &amp; Provision</b>	
Liabilities	1,008.85
Provisions	-
	1,008.85
<b>Net Current Assets</b>	<b>952.41</b>
<b>Total</b>	<b>1,203.32</b>