

COMPOSITE SCHEME OF ARRANGEMENT

BETWEEN

CELEBRITY FASHIONS LIMITED

AND

INDIAN TERRAIN FASHIONS LIMITED

AND

CELEBRITY CLOTHING LIMITED

AND

THEIR RESPECTIVE SHAREHOLDERS & CREDITORS

**UNDER SECTION 391 TO 394 READ WITH SECTION 78 AND SECTION 100 TO 103 OF THE
COMPANIES ACT, 1956**

A: PREAMBLE:

1. The objective of this Composite Scheme of Arrangement between Celebrity Fashions Limited and Indian Terrain Fashions Limited and Celebrity Clothing Limited and their Respective Shareholders & Creditors ("hereinafter referred to as "the Scheme" or "this Scheme") is to reorganize and streamline the business of Celebrity Fashions Limited by way of demerger of the Indian Terrain division to Indian Terrain Fashions Limited, a newly incorporated company and transfer of the Bottoms division, by way of slump sale to Celebrity Clothing Limited, a wholly owned subsidiary of Celebrity Fashions Limited.
2. Celebrity Fashions Limited ("the Transferor Company or "CFL") is a Company incorporated on April 28, 1988, under the Companies Act, 1956 and the Registered Office is situated at SDF – IV & C 2, Third Main Road, MEPZ – SEZ, Tambaram, Chennai – 600 045. The equity shares of CFL are listed on Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.
3. Indian Terrain Fashions Limited ("the First Transferee Company" or "ITFL") is a company incorporated on 29th September 2009, under the Companies Act, 1956 having its Registered Office at SDF – IV & C 2, Third Main Road, MEPZ – SEZ, Tambaram, Chennai – 600 045.

4. Celebrity Clothing Limited (“the Second Transferee Company” or “CCL”) is a company incorporated on 30th September 2009, under the Companies Act, 1956 having its Registered Office at SDF-IV & C2, 3rd Main Road, MEPZ-SEZ, Tambaram, Chennai – 600 045.
5. The Scheme envisages the following restructuring activities :
 - (i) Demerger of the Indian Terrain Division from the Transferor Company to the First Transferee Company;
 - (ii) Transfer of the Bottoms Division, as a going concern from the Transferor Company to the Second Transferee Company by way of Slump Sale;
 - (iii) Fair valuation of the assets of the Transferor Company as on the Fair Valuation Date; and
 - (iv) Write off of accumulated losses in the Transferor Company against the Securities Premium Account to the extent available and /or against the General Reserves / Capital Reserves, if any.

B: RATIONALE OF THIS SCHEME

- (i) The Transferor Company is engaged in the business of designing, manufacturing and selling of ready-made men's garments. The Transferor Company is a leading manufacturer and exporter of garments from India. Several international brands source their requirements, from the Transferor Company. The operations of the Transferor Company are broadly segmented into two divisions, namely the Indian Terrain Division and the Export Division. The Export Division is further divided into the Tops Division and the Bottoms Division.
- (ii) The Indian Terrain Division and the Bottoms Division cater to different markets / products and hence there is a need to manage them as independent entities, so as to enhance their capability and to focus on the operations. Further, transfer of the Indian Terrain Division and the Bottoms Division, to separate entities, will provide greater flexibility to the entities, to meet the needs for carrying out its operations.
- (iii) The Indian Terrain Division and the Bottoms Division have potential for future growth and hence it would be appropriate to hive off these two divisions into separate entities, so as to enable such divisions to realize their true value and maximize their returns and efficiency.

- (iv) This Scheme facilitates the entities involved, to explore new avenues and would also enhance growth prospects for the people and organizations connected with them. The restructuring activities under the Scheme would unlock shareholders value and create long term value for all the other stakeholders.
- (v) The Scheme will be effected under the provisions of Sections 391 to 394 read with Section 78 and Section 100 to 103 and other applicable provisions of the Companies Act, 1956 and /or any other rules & regulations, as may be applicable.

C: PARTS OF THIS SCHEME

The Scheme is divided into following parts:

- Part I : Definitions and Share Capital
- Part II : Demerger of the Indian Terrain Division into the First Transferee Company and issue of ESOS and ESPS to Key Managerial Staff
- Part III : Transfer of the Bottoms Division by way of Slump sale into the Second Transferee Company
- Part IV: Fair valuation of the assets of the Transferor Company
- Part V: Reduction of the capital of the Transferor Company and the First Transferee Company
- Part VI: General Terms and Conditions

PART I: DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS

In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meaning:

- 1.1 “Act” means the Companies Act 1956 and includes any statutory re-enactment or modification thereof, or amendment thereof, from time to time.

- 1.2 **“Appointed Date”** for the purpose of Demerger of the Indian Terrain Division into the First Transferee Company and transfer of the Bottoms Division to the Second Transferee Company, by way of Slump Sale means, 1st April 2010 or such other date as may be approved by the High Court.
- 1.3 **“Brand”** for the purpose of this Scheme, means the Indian Terrain brand.
- 1.4 **“Bottoms Division”** means the part of the Export Division of the Transferor Company, and includes
- 1.4.1 All assets (whether moveable or immoveable, real or personal, corporeal or incorporeal, present, future or contingent) and liabilities pertaining to the Bottoms Division as on the Appointed Date.
- 1.4.2 Without prejudice to the generality of the provisions of sub-clause 1.4.1 above, the Bottoms Division shall include in particular
- 1.4.2.1 All properties and assets of whatsoever nature, whether moveable or immovable and wherever situated, required for / pertaining to the Bottoms Division, including plant and machinery, equipments, appliances, stock of finished/semi-finished goods, raw materials, furniture and fixtures, accessories, vehicles, current assets, liquid funds, samples, plant and other extracts, and other properties and assets pertaining to the Bottoms Division
- 1.4.2.2 All permits, quotas, rights, entitlements, approvals, consents, engagements, benefits, privileges, arrangements, permissions, tenancies, exemptions, waivers in relation to the residual properties, goodwill, intellectual property, and all other rights and benefits, licenses, patents, trademarks, copyrights, trade names and other intellectual property rights of any nature whatsoever and licenses in respect thereof, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of utilities, power lines, electricity and other services, provisions, funds, benefits and all agreements, subsidies, grants and incentive schemes formulated by the Central or State Governments, contracts and arrangements and all other interests in connection with or relating to the Bottoms Division; and

1.4.2.3 All necessary records, files, designs, manuals, catalogues, papers, drawings, manuals, data and other records whether in physical or electronic form in connection with or relating to the Bottoms Division.

1.4.3 All liabilities arising out of the property including, contingent liabilities, debts, current liabilities and provisions, duties and obligations relating to the Bottoms Division.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Bottoms Division includes:

1.4.3.1 The liabilities debts/obligations at the close of business on the day immediately preceding the Appointed Date which arise out of the activities or operations of the Bottoms Division;

1.4.3.2 Any specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the Bottoms Division at the close of business on the day immediately preceding the Appointed Date ; and

1.4.4 Liabilities other than those referred to in Sub-clauses (a) and (b) above, being the amounts of general or multipurpose borrowings of the Transferor Company, allocated to the Bottoms Division based on the serviceability of such debts by the second Transferee Company.

1.4.5 All employees of the Transferor Company working for or employed in the Bottoms Division, as identified by the Board of Directors of the Transferor Company as on the Effective Date.

1.4.6 Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Bottoms Division or whether or not it arises out of the activities or operations of the Bottoms Division, shall be decided by mutual agreement between the Board of Directors of the Transferor Company and the Second Transferee Company or committee(s) thereof authorized by the respective Board of Directors.

1.5 **“CCL” or “the Second Transferee Company”** means Celebrity Clothing Limited a company incorporated under the Companies Act, 1956 and having its Registered Office at SDF-IV & C2, 3rd Main Road, MEPZ-SEZ, Tambaram, Chennai – 600 045.

- 1.6 **“CFL” or “ the Demerged Company” or “ the Transferor Company”** means Celebrity Fashions Limited means a company incorporated under the Companies Act, 1956 and having its Registered Office at SDF – IV & C 2, Third Main Road, MEPZ – SEZ, Tambaram, Chennai – 600 045;
- 1.7 **“Committee of the Board of Directors”** for the purpose of the Scheme shall mean the Committee of individual members that shall be constituted by the Board to carry on the process of implementation, of the proposed Scheme or any other matters incidental thereto.
- 1.8 **“Court” or “High Court”** means the High Court of Judicature at Madras, and shall include the National Company Law Tribunal, if applicable.
- 1.9 **“Effective Date”** means the date on which the certified or authenticated copy of the Order of High Court of Judicature at Madras under Sections 391 to 394, read with Section 78 and 100 to 103 of the Companies Act, 1956 is filed with the Registrar of Companies, Tamil Nadu at Chennai.
- 1.10 **“ESOS”** means Employees Stock Option Scheme issued under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
- 1.11 **“ESPS”** means Employees Stock Purchase Scheme issued under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
- 1.12 **“Fair Valuation Date”** for the purpose of this Scheme, 1st April 2010 or any other such date as may be approved by the High Court, shall be construed as the Fair Valuation Date for the purpose of fair valuing the assets of the Transferor Company.
- 1.13 **“Indian Terrain Division”** means the Domestic Division of the Transferor Company, and includes
- 1.13.1 All assets (whether moveable or immoveable, real or personal, corporeal or incorporeal, present, future or contingent) and liabilities pertaining to the Indian Terrain Division, as on the appointed date.
- 1.13.2 Without prejudice to the generality of the provisions of sub-clause 1.13.1 above, the Indian Terrain Division shall include in particular:

- 1.13.2.1 All properties and assets of whatsoever nature and wherever situated, required for / pertaining to the Indian Terrain Division, including plant and machinery, equipments, appliances, stock of finished/semi-finished goods, raw materials, furniture and fixtures, accessories, vehicles, current assets, liquid funds, samples, plant and other extracts, intellectual property and other properties and assets pertaining to the Indian Terrain Division;
- 1.13.2.2 All permits, quotas, rights, entitlements, approvals, consents, engagements, benefits, privileges, arrangements, permissions, tenancies, exemptions, waivers in relation to the residual properties, goodwill, intellectual property, all other rights and benefits, licenses, patents, trademarks, copyrights, trade names and other intellectual property rights of any nature whatsoever and licenses in respect thereof, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of utilities, power lines, electricity and other services, provisions, funds, benefits and all agreements, subsidies, grants and incentive schemes formulated by the Central or State Governments, contracts and arrangements and all other interests in connection with or relating to the Indian Terrain Division; and
- 1.13.2.3 All necessary records, files, designs, manuals, catalogues, papers, drawings, manuals, data and other records whether in physical or electronic form in connection with or relating to the Indian Terrain Division.
- 1.13.3 All liabilities arising out of the property including, contingent liabilities, debts, current liabilities and provisions, duties and obligations relatable to the Indian Terrain Division.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Indian Terrain Division includes:

- 1.13.3.1 The liabilities debts/obligations at the close of business on the day immediately preceding the Appointed Date (Subject to any restructuring and/or confirmations/approvals from the lenders) which arise out of the activities or operations of the Indian Terrain Division;

- 1.13.3.2 If there are any specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the Indian Terrain Division at the close of business on the day immediately preceding the Appointed Date ; and
- 1.13.3.3 Liabilities other than those referred to in Sub-clauses (a) and (b) above, being the amounts of general or multipurpose borrowings of the Transferor Company, allocated to the Indian Terrain Division in the same proportion in which the book value of the assets (ignoring the revalued amount) transferred under this Scheme bear to the total book value of the assets of the Transferor Company immediately before giving effect to this Scheme.
- 1.13.4 All employees of the Transferor Company working for or employed in the Indian Terrain Division, as identified by the Board of Directors of the Transferor Company, as on the Effective Date.
- 1.13.5 Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Indian Terrain Division or whether or not it arises out of the activities or operations of the Indian Terrain Division, shall be decided by mutual agreement between the Board of Directors of the Transferor Company and the First Transferee Company or committee(s) thereof authorized by the respective Board of Directors.
- 1.14 **“ITFL” or “ the First Transferee Company” or “ the Resulting Company”** means Indian Terrain Fashions Limited a company incorporated under the Companies Act, 1956 and having its Registered Office at SDF – IV & C 2, Third Main Road, MEPZ – SEZ, Tambaram, Chennai – 600 045.
- 1.15 **“Key Managerial Personnel”** includes Senior Management Staff and Directors other than Promoter Directors.
- 1.16 **"Record Date"** means the date to be fixed by the Board of Directors of the Transferor Company in consultation with the Board of Directors of the First Transferee Company for the purpose of issue and allotment of equity shares of the First Transferee Company to the equity shareholders of the Transferor Company, under the Scheme.
- 1.17 **"Remaining Undertaking"** means all the undertakings, businesses, activities and operations of the Transferor Company other than the Indian Terrain Division and the Bottoms Division;

1.18 **"Scheme of Arrangement" or "the Scheme" or "this Scheme"** means this Scheme in its present form as submitted to the Hon"ble High Court or this Scheme of Arrangement with such modification(s), if any made, as per clause 25 of the Scheme.

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

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court of Judicature at Madras or, made as per clause 25 of the Scheme, in respect of the Demerger of the Indian Terrain Division into the First Transferee Company and the transfer of the Bottoms Division to the Second Transferee Company, shall be effective from the Appointed Date, but shall come into operation from the Effective Date.

In respect of fair valuation of assets of the Transferor Company, the Scheme shall be effective from the Fair Valuation Date.

3. **SHARE CAPITAL**

3.1. **CFL**

The share capital structure of the Transferor Company as on 31st December 2009 is as under:

Particulars	Amount Rs.
Authorised:	
2,00,00,000 Equity Shares of Rs. 10 each	20,00,00,000
TOTAL	20,00,00,000
Issued, Subscribed and Paid up:	
1,81,43,339 Equity shares of Rs. 10 each	18,14,33,390
TOTAL	18,14,33,390

There is no change in the equity share capital of the Transferor Company post 31st December 2009.

3.2. ITFL

The share capital structure of the First Transferee Company as on 31st December 2009 is under:

Particulars	Rs.
Authorised: 5,00,000 Equity Shares of Rs. 10/- each	50,00,000
TOTAL	50,00,000
Issued, Subscribed and Paid up: 50,000 Equity shares of Rs. 10 each	5,00,000
TOTAL	5,00,000

There is no change in the equity share capital of the First Transferee Company post 31st December 2009

3.3. CCL

The share capital structure of the Second Transferee Company as on 31st December 2009 is under:

Particulars	Rs.
Authorised: 50,000 Equity Shares of Rs. 10/- each	5,00,000
TOTAL	5,00,000
Issued, Subscribed and Paid up: 50,000 Equity shares of Rs.10 each	5,00,000
TOTAL	5,00,000

There is no change in the equity share capital of the Second Transferee Company post 31st December 2009.

PART II: DEMERGER OF THE INDIAN TERRAIN DIVISION OF CFC LTD INTO ITFL

4. TRANSFER AND VESTING OF THE INDIAN TERRAIN DIVISION

- 4.1. With effect from the Appointed Date, the Indian Terrain Division of the Transferor Company, as defined in clause 1.13, shall pursuant to the provisions of the section 391 to 394 read with section 78 and section 100 to 103 and /or any other applicable provisions of the Companies Act, 1956, stand transferred to and vested in or deemed to be transferred to and vested in the First Transferee Company, as a going concern, in accordance with Section 2(19AA) of the Income tax Act, 1961.
- 4.2. Upon the coming into effect of this Scheme and with effect from the Appointed Date, all the assets (moveable or immovable and tangible or intangible) and the liabilities of the Indian Terrain Division shall, pursuant to the provisions the Scheme, without any further act, deed, matter or thing be and stand transferred to and vested in and shall be deemed to be transferred to and vested in the First Transferee Company in the following manner:
- (a) All the movable assets pertaining to the Indian Terrain Division, which are capable of being physically transferred including cash on hand, shall be physically handed over by delivery to the First Transferee Company to the end and intent that the property therein passes to the First Transferee Company. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Boards of Directors or Committees thereof of the Transferor Company and the First Transferee Company;
 - (b) In respect of other assets pertaining to the Indian Terrain Division, including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, the First Transferee Company may, and the Transferor Company shall, on being so requested by the First Transferee Company, issue notices in such form as the First Transferee Company specifies, stating that pursuant to the Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, the First Transferee Company, as the person entitled thereto, to the end and intent that the right of the Transferor Company to receive, recover or realise the same, stands transferred to the First Transferee Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;

- (c) With effect from the Appointed Date, all debts, liabilities, duties and obligations of every kind, nature and description of the Transferor Company relating to the Indian Terrain Division shall also, pursuant to the Scheme, without any further act or deed, be transferred to or be deemed to be transferred to the First Transferee Company, so as to become the debts, liabilities, duties and obligations of the First Transferee Company and it shall not be necessary to obtain the consent (if not specifically required under any agreement / covenant) 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;
- (d) The transfer and vesting of the Indian Terrain Division shall be subject to the existing securities, charges and mortgages, if any in relation to the liabilities of the Indian Terrain Division transferred to the First Transferee Company under clause (c) above.
- (e) In so far as, any encumbrances over the assets comprised in the Indian Terrain Division are security for liabilities of the Remaining Undertaking retained with the Transferor Company and/ or security for the liabilities transferred to the Second Transferee Company, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the encumbrances shall only extend to and continue to operate against the assets retained with the Transferor Company and / or the Second Transferee Company and shall cease to operate against any of the assets transferred to the First Transferee Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operations of this sub-clause.
- (f) In so far as any encumbrances over the assets comprised in the Remaining undertaking of the Transferor Company and/or the Bottoms Division transferred to the Second Transferee Company are security for liabilities transferred to the First Transferee Company, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and shall cease to operate against any of the liabilities transferred to the First Transferee Company in terms of this Scheme. The absence of any formal

amendment which may be required by a lender or third party shall not affect the operations of this sub-clause.

5. CONTRACTS, DEEDS, ARRANGEMENTS, ETC.

- 5.1 Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature, in relation to the Indian Terrain Division to which the Transferor Company is a party or to the benefit of which the Transferor Company may be eligible and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favour of, as the case may be, the First Transferee Company in which the Indian Terrain Division vests by way of the demerger hereunder and may be enforced as fully and effectually as if, instead of the Transferor Company, First Transferee Company had been a party or beneficiary or obligee thereto or thereunder.
- 5.2 Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Indian Terrain Division occurs by virtue of this Scheme itself, the First Transferee Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements, with any party to any contract or arrangement to which the Transferor Company is a party or any writings as may be necessary in order to give formal effect to the provisions of this Scheme. The First Transferee Company shall be deemed to be authorized to execute any such writings on behalf of the Transferor Company and to carry out or perform all such formalities or compliances referred to above on the part of the Transferor Company.

6. EMPLOYEES, STAFF AND WORKMEN

- 6.1 On the Scheme becoming operative, all staff, workmen and employees of the Transferor Company working for the Indian Terrain Division, who are in service as on the Effective Date shall be deemed to have become staff, workmen and employees of the First Transferee Company, with effect from the Appointed Date, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with the First Transferee Company shall not be less favorable than those applicable to them with reference to their employment with the Transferor Company on the Effective Date. The First Transferee Company agrees that the services of all such

employees with the Transferor Company up to the Effective Date shall be taken into account for purposes of all retirement benefits to which they may be eligible in the Transferor Company on the Effective Date. Any question that may arise as to whether any staff, workman or employee belongs to or does not belong to the Indian Terrain Division, shall be decided mutually by Board of Directors of the Transferor Company and the First Transferee Company or committee(s) thereof.

- 6.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund, Superannuation Fund or such other Special Fund, if any, or Trusts (hereinafter collectively referred as „Funds“) created for the benefit of the staff, workmen and employees of the Transferor Company shall, to the extent they relate to the staff, workmen and employees working for the Indian Terrain Division, become Funds of the First Transferee Company, or shall be transferred to the First Transferee Company for all purposes whatsoever in relation 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 thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of the Transferor Company in relation to such Funds shall become those of the First Transferee Company. It is clarified that the services of the staff, workmen and employees working for the Indian Terrain Division will be treated as having been continuous for the purpose of the said Funds.
- 6.3 In the event that the First Transferee Company does not have its own Funds in respect of any of the above, the First Transferee Company, may subject to necessary approvals and permissions, continue to contribute to the relevant Funds of the Transferor Company, until such time as the First Transferee Company creates its own Funds, at which time the Funds and the investment and contributions, pertaining to staff, workmen and employees working for the Indian Terrain Division shall be transferred to the funds created by the First Transferee Company.
- 6.4 In respect of the stock options outstanding under the ESOS in the hands of the employees of the Transferor Company being transferred to the First Transferee Company pursuant to the Scheme, it is hereby clarified that the options which have been granted but have not vested in such employees of the Transferor Company as on the Effective Date would lapse. The First Transferee Company will put in place a suitable ESOS plan (hereinafter referred to as the “Compensatory ESOS Plan”) for the employees of the Transferor Company, being transferred to the First Transferee Company pursuant to the Scheme, on such terms and conditions not less favourable than those of the ESOS held by such

employees in Transferor Company which have been lapsed pursuant to this clause. The options under the ESOS which, as of the Effective Date, have been vested in employees, being transferred to the First Transferee Company pursuant to the Scheme, but have not been exercised, would lapse 90 days after the Effective Date.

- 6.5 For the avoidance of doubt it is hereby clarified that upon the coming into effect of this Scheme, the options granted, under and pursuant to the ESOS to the employees of the Remaining Undertaking as of the Effective Date would continue and the exercise price of such options would be suitably re-priced in order to compensate such employees for reduction in the intrinsic value of the Transferor Company pursuant to the demerger of the Indian Terrain Division.
- 6.6 The First Transferee Company also proposes to offer shares to its key managerial staff under a new ESOS plan (herein after referred to as the “Key Managerial ESOS Plan”) for a minimum exercise price of Rs. 10/- (Ten). Pursuant, to the acceptance of such ESOS plan, the key managerial staff, would hold upto 10% of the post demerger paid up capital of the First Transferee Company.
- 6.7 In addition to the above, it is also proposed to issue new ESOS (herein after referred to as the “Key Managerial ESOS Plan”) to the extent of 10% of the post demerger paid up capital of the First Transferee Company, to the said key managerial staff which can be exercised by them as follows:
- At the end of First year – upto 5%
 - At the end of Fifth year – upto 5%
- 6.8 The above, Compensatory ESOS Plan, Key Managerial ESOS Plan and Key Managerial ESOS Plan shall be in accordance to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
- 6.9 The First Transferee Company shall take adequate steps as may be required under the Companies Act, 1956 or any other laws to pass a special resolution as may be required to give effect to the above mentioned ESOS and/ or ESOS scheme.

7. TRANSACTIONS BETWEEN APPOINTED DATE AND EFFECTIVE DATE

With effect from the Appointed Date and up to the Effective Date:

- 7.1 The Transferor Company shall carry on and be deemed to have carried on its business and activities relating to the Indian Terrain Division and shall be deemed to have held and stood possessed of and shall hold and stand possessed of its entire businesses and undertakings relating to the Indian Terrain Division for and on account of and in trust for the First Transferee Company;
- 7.2 All the profits or income accruing or arising to the Transferor Company, relating to the Indian Terrain Division or expenditure or losses arising or incurred by the Transferor Company relating to the Indian Terrain Division shall for all purposes be treated and deemed to be and accrue as the profits or income or expenditure or losses (as the case may be) of the First Transferee Company;
- 7.3 The First Transferee Company shall be entitled, pending the sanction of the Scheme, to apply to the Central / State Government and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which the First Transferee Company may require to carry on the business of the Indian Terrain Division;
- 7.4 The Transferor Company shall not utilize the profits or income of the Indian Terrain Division for the purpose of declaring or paying any dividend or for any other purpose (other than in the ordinary course of its business) in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of the First Transferee Company;
- 7.5 The Transferor Company shall not without the prior written consent of the Board of Directors of the First Transferee Company or pursuant to any pre-existing obligation, sell, transfer or otherwise alienate, charge, mortgage or encumber or otherwise deal with or dispose of its undertaking relating to the Indian Terrain Division or any part thereof or any material assets, except in the ordinary course of its business; and
- 7.6 The Transferor Company shall not, without the prior written consent of the Board of Directors of the First Transferee Company or pursuant to any pre-existing obligation, vary the terms and conditions of service of the employees working for the Indian Terrain Division except in the ordinary course of its business or consistent with past practice.

8. SAVING OF CONCLUDED TRANSACTIONS

The transfer and vesting of the assets, liabilities and obligations of the Indian Terrain Division under clause 4 hereof shall not affect any transactions or proceedings, already completed by the Transferor Company on or before the Appointed Date to the end and intent that, the First Transferee Company accepts all acts, deeds and things done and executed by and/or on behalf of the Transferor Company in relation to the Indian Terrain Division which shall vest in the First Transferee Company in terms of this Scheme as acts, deeds and things made, done and executed by and on behalf of the First Transferee Company.

9. CONSIDERATION

ISSUE OF EQUITY SHARES BY THE FIRST TRANSFEREE COMPANY

- 9.1 Upon effectiveness of Scheme, in consideration for the demerger of the Indian Terrain Division to the First Transferee Company pursuant to clause 4 of this Scheme, the First Transferee Company shall, without any further act or deed, issue and allot to each member of the Transferor Company whose name is recorded in the register of members of the Transferor Company on the Record Date, equity shares in the First Transferee Company in the ratio of 2 (Two) equity shares in the First Transferee Company of the face value of Rs.10/- (Rupee Ten only) each credited as fully paid-up for every 7 (Seven) equity shares of Rs. 10/-(Rupees Ten only) each fully paid-up held by such member or his/her/its heirs, executors, administrators or successors in the Transferor Company ("Share Entitlement Ratio").
- 9.2 All equity shares in the First Transferee Company to be issued and allotted to the shareholders of the Transferor Company as aforesaid shall rank pari passu in all respects with the existing equity shares in the First Transferee Company (if any). No fractional certificate shall be issued by the First Transferee Company in respect of the fractional entitlement, if any, to which the shareholders of the Transferor Company may be entitled on issue and allotment of the equity shares of the First Transferee Company as aforesaid. The Directors of the Transferor Company shall instead consolidate all such fractional entitlements to which the members of the Transferor Company may be entitled on issue and allotment of the equity shares of the First Transferee Company as aforesaid and thereupon issue and allot equity shares in lieu thereof to a Director or an Officer or Auditor of the Transferor Company or an Institution with the express understanding that such Director, Officer, Auditor or an Institution to whom such equity shares be allotted shall sell the same in the market and pay to the Transferor Company the net sale

- proceeds thereof whereupon the Transferor Company shall distribute such net sale proceeds to the said shareholders of the Transferor Company in proportion to their fractional entitlements. The issue and allotment of consolidated fractional entitlements shall not require any further approval from the shareholders of the First Transferee Company or from any other statutory authority or body.
- 9.3 The equity shares to be issued by the First Transferee Company pursuant to clause 9.1 above shall be issued in dematerialized form, unless otherwise notified in writing by the shareholders of the Transferor Company to the First Transferee Company on or before such date as may be determined by the Board of Directors of the First Transferee Company or a committee thereof. In the event that such notice has not been received by the First Transferee Company in respect of any of the members of the Transferor Company, the equity shares shall be issued to such members in dematerialized form provided that such members shall be required to have an account with a depository participant and shall be required to provide details thereof and such other confirmations as may be required. In the event that a First Transferee Company has received notice from any member that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her account with a depository participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of the First Transferee Company, then the First Transferee Company shall issue equity shares in physical form to such member or members. Further, the shares allotted pursuant to the scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.
- 9.4 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Transferor Company, the Board of Directors or any committee thereof of the Transferor Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in the Transferor Company as if such changes in the registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or transferee of equity shares in First Transferee Company issued by the First Transferee Company after the effectiveness of this Scheme.
- 9.5 The new equity shares issued and allotted by the First Transferee Company in terms of this Scheme shall be subject to the provisions of the Memorandum and Articles of Association of the First Transferee Company and shall inter-se rank pari passu in all respects.
- 9.6 The equity shares of the First Transferee Company issued in terms of clause 9.1 of this Scheme will be listed and/or admitted to trading on the National Stock Exchange of India

Limited and/or the Bombay Stock Exchange Limited, where the shares of the Transferor Company are listed and/or admitted to trading in terms of sub-rule 7 of rule 19 of the Securities Contract (Regulation) Rules, 1957 (erstwhile, clause 8.3.5 of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000). The First Transferee Company shall enter into such arrangements and give such confirmations and/or undertaking as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said Stock Exchanges. On such formalities being fulfilled the said Stock exchanges shall list and/or admit such equity shares also for the purpose of trading.

- 9.7 The equity shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing /trading permission is given by the Stock Exchange(s) and further there shall be no change in the shareholding pattern or control in Indian Terrain Fashions Limited between the record date and the listing.
- 9.8 For the purpose of issue of equity shares to the shareholders of the Transferor Company, the First Transferee Company shall, if and to the extent required, apply for and obtain the required statutory approvals including approval of the Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the First Transferee Company of such equity shares.
- 9.9 The First Transferee Company shall increase its authorized share capital, as may be required, to issue equity shares in terms of clause 9.1 above.
- 9.10 The issue and allotment of equity shares by the First Transferee Company to the shareholders of the Transferor Company and the underlying shares issued to the new depository as provided in this Scheme is an integral part thereof, and shall be deemed to have been carried out as if the procedure laid down under Section 81(1A) and any other applicable provisions of the Companies Act, 1956 were duly complied with.

10. ACCOUNTING TREATMENT

10.1 ACCOUNTING TREATMENT IN THE BOOKS OF CFL:

- (a) The book values of the assets and liabilities pertaining to the Indian Terrain Division transferred to the First Transferee Company, shall be reduced from the book values of the assets and liabilities appearing in the books of the Transferor Company;

- (b) The difference between the book value of assets and book value of liabilities transferred pursuant to the Scheme and the value of the investments held by the Transferor Company in the First Transferee Company shall be debited against the available Securities Premium Account and/or Profit & Loss Account and/or General / Capital / Other Reserve Account of the Transferor Company.
- (c) The utilization of the Securities Premium account, if any of the Transferor Company as mentioned above, shall be effected as an integral part of the Scheme in accordance with the provisions of Section 78 read with Sections 100 to 103 of the Act and the Order of the High Court sanctioning the Scheme shall be deemed to be also the Order under Section 102 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable.
- (d) Any expenses in the nature of employee compensation expenses arising on account of repricing of the ESOS plans, determined in accordance with the SEBI (Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Scheme (ESPS)) Guidelines, 1999, including any statutory modifications, re-enactment or amendment thereof and any other accounting guidelines as may be applicable and the amount of fringe benefit tax or similar taxes payable, if any shall be debited to the General Reserve Account.

10.2 ACCOUNTING TREATMENT IN THE BOOKS OF ITFL:

- (a) Upon coming into effect of this Scheme, the First Transferee Company shall record the assets and liabilities comprised in the Indian Terrain Division transferred to and vested in it pursuant to this Scheme, at the same value as appearing in the books of the Transferor Company on the opening of business on the Appointed Date.
- (b) The First Transferee Company shall credit its Share Capital Accounts in its books of account with the aggregate face value of the new equity shares issued to the shareholders of Transferor Company pursuant to clause 9 of this Scheme.
- (c) If the difference of the face value of shares issued and allotted in clause (b) above over the net assets recorded in clause (a) above is positive, such excess shall be recorded as Goodwill and the deficit shall be credited to the Capital Reserve Account.

- (d) Any expenses in the nature of employee compensation expenses arising on account of ESOS and /or ESPS plans of the First Transferee Company, namely the Compensatory ESOS Plan and/or Key Managerial ESOS Plan and /or Key Managerial ESPS plan, extended to its employees, including expenses on repricing of the shares to be allotted there under, determined in accordance with the SEBI (Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Scheme (ESPS)) Guidelines, 1999, including any statutory modifications, re-enactment or amendment thereof and any other accounting guidelines as may be applicable and the amount of fringe benefit tax or similar taxes payable, if any shall be debited to the General Reserve Account.
- (e) In case of any differences in accounting policies between the Transferor Company and the First Transferee Company, the accounting policies followed by the First Transferee Company shall prevail to ensure that the Financial Statements reflect the financial position on the basis of consistent accounting policies.

11. LEGAL PROCEEDINGS

- 11.1 All legal proceedings of whatsoever nature by or against the Transferor Company pending and / or arising at the Appointed Date and relating to the Indian Terrain Division of the Transferor Company as and from the Effective Date shall be continued and enforced by or against the First Transferee Company in the manner and to the same extent as would or might have been continued and enforced by or against the Transferor Company.
- 11.2 After the Appointed Date, if any proceedings are taken against the Transferor Company in respect of the matters referred to in the above sub-clause, it shall defend the same at the cost of the First Transferee Company and the First Transferee Company shall reimburse and indemnify the Transferor Company against all liabilities and obligations incurred by the Transferor Company in respect thereof.
- 11.3 The First Transferee Company undertakes to have all legal or other proceedings initiated by or against the Transferor Company referred to in clause 11.1 above transferred into its name and to have the same continued, prosecuted and enforced by or against the First Transferee Company to the exclusion of the Transferor Company.

PART III : TRANSFER OF THE BOTTOMS DIVISION BY WAY OF SLUMP SALE INTO CCL

12. TRANSFER AND VESTING OF THE BOTTOMS DIVISION

12.1 With effect from the Appointed Date, all the assets (moveable or immovable and tangible or intangible) and liabilities of the Bottoms Division of the Transferor Company shall, pursuant to the provisions of Section 391 to 394 and all the other applicable provisions, if any of the Companies Act, 1956, without any further act or deed, be deemed to be sold to the Second Transferee Company on a slump sale basis, so that the Second Transferee Company will possess all the rights, titles and interest of the Bottoms Division; in the following manner:

- (a) All the movable assets pertaining to the Bottoms Division, which are capable of being physically transferred including cash on hand, shall be physically handed over by delivery to the Second Transferee Company to the end and intent that the property therein passes to the Second Transferee Company. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Boards of Directors or Committees thereof of the Transferor Company and the Second Transferee Company;
- (b) In respect of other assets pertaining to the Bottoms Division, including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, the Second Transferee Company may, and the Transferor Company shall, on being so requested by the Second Transferee Company, issue notices in such form as the Second Transferee Company specifies stating that pursuant to the Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, the Second Transferee Company, as the person entitled thereto, to the end and intent that the right of the Transferor Company to receive, recover or realise the same, stands transferred to the Second Transferee Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;
- (c) With effect from the Appointed Date, all debts, liabilities, duties and obligations of every kind, nature and description of the Transferor Company relating to the Bottoms Division shall also, pursuant to the Scheme, without any further act or deed, be transferred to or be deemed to be transferred to the Second Transferee Company, so as to become as from the Appointed Date the debts, liabilities, duties

and obligations of the Second Transferee Company and it shall not be necessary to obtain the consent of any third party (if not specifically required under any agreement / covenant) 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;

- (d) The transfer and vesting of the Bottoms Division shall be subject to the existing securities, charges and mortgages, if any in relation to the liabilities of the Bottoms Division transferred to the Second Transferee Company under clause (c) above. In so far as any encumbrances over the assets comprised in the Bottoms Division are security for liabilities of the Remaining Undertaking retained with the Transferor Company, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the encumbrances shall only extend to and continue to operate against the assets retained with the Transferor Company and shall cease to operate against any of the assets transferred to the Second Transferee Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operations of this sub-clause.
- (e) In so far as any encumbrances over the assets comprised in the Remaining Undertaking are security for liabilities of the Second Transferee Company, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and shall cease to operate against any of the assets retained by the Transferor Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operations of this sub-clause.
- (f) The mechanics for slump sale as provided in this Scheme are an integral part thereof, and shall be deemed to have been carried out as if the procedure laid down under Section 192A and any other applicable provisions of the Companies Act, 1956 were duly complied with.

13. CONTRACTS, DEEDS, ARRANGEMENTS, ETC.

- 13.1 Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Bottoms Division to which the Transferor Company is a party or to the benefit of which the Transferor Company may be eligible and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favour of, as the case may be, the Second Transferee Company in which the Bottoms Division vests by way of Slump sale hereunder and may be enforced as fully and effectually as if, instead of the Transferor Company, the Second Transferee Company had been a party or beneficiary or obligee thereto or thereunder.
- 13.2 Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Bottoms Division occurs by virtue of this Scheme itself, the Second Transferee Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements, with any party to any contract or arrangement to which the Transferor Company is a party or any writings as may be necessary in order to give formal effect to the provisions of this Scheme, the Second Transferee Company shall be deemed to be authorized to execute any such writings on behalf of the Transferor Company and to carry out or perform all such formalities or compliances referred to above on the part of the Transferor Company.

14. EMPLOYEES, STAFF AND WORKMEN

- 14.1 On the Scheme becoming operative, all staff, workmen and employees of the Transferor Company working for the Bottoms Division, who are in service as on the Effective Date shall be deemed to have become staff, workmen and employees of the Second Transferee Company, with effect from the Appointed Date, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with the Second Transferee Company shall not be less favorable than those applicable to them with reference to their employment with the Transferor Company on the Effective Date. The Second Transferee Company agrees that the services of all such employees with the Transferor Company up to the Effective Date shall be taken into account for purposes of all retirement benefits to which they may be eligible in the Transferor Company on the Effective Date. Any question that may arise as to whether

any staff, workman or employee belongs to or does not belong to the Bottoms Division, shall be decided mutually by Board of Directors of the Transferor Company and the Second Transferee Company or committee(s) thereof.

- 14.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund, Superannuation Fund or such other Special Fund, if any, or Trusts (hereinafter collectively referred as „Funds“) created for the benefit of the staff, workmen and employees of the Transferor Company shall, to the extent they relate to the staff, workmen and employees working for the Bottoms Division, become Funds of the Second Transferee Company, or shall be transferred to the Second Transferee Company for all purposes whatsoever in relation 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 thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of the Transferor Company in relation to such Funds shall become those of the Second Transferee Company. It is clarified that the services of the staff, workmen and employees working for the Bottoms Division will be treated as having been continuous for the purpose of the said Funds.
- 14.3 In the event that the Second Transferee Company does not have its own Funds in respect of any of the above, the Second Transferee Company, may subject to necessary approvals and permissions, continue to contribute to the relevant Funds of the Transferor Company, until such time as the Second Transferee Company creates its own Funds, at which time the Funds and the investment and contributions, pertaining to staff, workmen and employees working for the Bottoms Division shall be transferred to the funds created by the Second Transferee Company.
- 14.4 In respect of the stock options outstanding under the ESOS in the hands of the employees of the Transferor Company being transferred to the Second Transferee Company pursuant to the Scheme, it is hereby clarified that the options which have been granted to such employees of the Transferor Company as of the Effective Date would continue to remain with the Transferor Company, in the name of the employees of the Second Transferee Company. However, the exercise price of such options would be suitably re-priced in order to compensate the employees, for reduction in the intrinsic value of the Transferor Company pursuant to Demerger of the Indian Terrain Division into the First Transferee Company.

15. TRANSACTIONS BETWEEN APPOINTED DATE AND EFFECTIVE DATE

With effect from the Appointed Date and up to the Effective Date:

- 15.1 The Transferor Company shall carry on and be deemed to have carried on its business and activities relating to the Bottoms Division and shall be deemed to have held and stood possessed of and shall hold and stand possessed of its entire businesses and undertakings relating to the Bottoms Division for and on account of and in trust for the Second Transferee Company;
- 15.2 All the profits or income accruing or arising to the Transferor Company relating to the Bottoms Division or expenditure or losses arising or incurred by the Transferor Company relating to the Bottoms Division shall for all purposes be treated and deemed to be and accrue as the profits or income or expenditure or losses (as the case may be) of the Second Transferee Company;
- 15.3 The Second Transferee Company shall be entitled, pending the sanction of the Scheme, to apply to the Central Government and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which the Second Transferee Company may require to carry on the business of the Bottoms Division;
- 15.4 The Transferor Company shall not utilize the profits or income of the Bottoms Division for the purpose of declaring or paying any dividend or for any other purpose (other than in the ordinary course of its business) in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of the Second Transferee Company;
- 15.5 The Transferor Company shall not without the prior written consent of the Board of Directors of the Second Transferee Company or pursuant to any pre-existing obligation, sell, transfer or otherwise alienate, charge, mortgage or encumber or otherwise deal with or dispose of its undertaking relating to the Bottoms Division or any part thereof or any material assets, except in the ordinary course of its business; and
- 15.6 The Transferor Company shall not, without the prior written consent of the Board of Directors of the Second Transferee Company or pursuant to any pre-existing obligation, vary the terms and conditions of service of the employees working for the Bottoms Division except in the ordinary course of its business or consistent with past practice.

16. CONSIDERATION

- 16.1 The consideration, for the sale of the Bottoms Division upon slump sale as referred to in clause 12, is Rs.12,21,79,758/-(**Rupees Twelve Crores twenty one lakhs seventy nine thousand seven hundred and fifty eight only**).
- 16.2 The consideration would be discharged by the Second Transferee Company by issuing and allotting to the Transferor Company One Crore (1,00,00,000) fully paid up Shares of Rs. 10 /- each (hereinafter referred to as „New Equity Shares of the Second Transferee Company“) at Premium.
- 16.3 The new equity shares issued and allotted by the Second Transferee Company in terms of this Scheme shall be subject to the provisions of the Memorandum and Articles of Association of the Second Transferee Company and shall inter-se rank pari passu in all respects.
- 16.4 The Second Transferee Company shall increase the authorized share capital, as may be required, to issue equity shares in terms of clause 16.2 above.

17. ACCOUNTING TREATMENT

17.1 ACCOUNTING TREATMENT IN THE BOOKS OF CFL:

- (a) The book values of the assets and liabilities pertaining to the Bottoms Division transferred to the Second Transferee Company shall be reduced from the book values of the assets and liabilities appearing in the books of the Transferor Company;
- (b) The shares of the Second Transferee Company issued to the Transferor Company as consideration for the transfer of the Bottoms Division to the Second Transferee Company will be recorded in the books of accounts of the Transferor Company as investments.

17.2 ACCOUNTING TREATMENT IN THE BOOKS OF CCL:

- (a) The Second Transferee Company shall undertake a purchase price allocation and thereafter record the assets and liabilities comprised in the Bottoms Division acquired pursuant to this Scheme, at their fair values.
- (b) The Second Transferee Company, shall issue shares at a premium, as appropriate, and credit to its Share Capital and Securities Premium account in its books of accounts the respective amounts computed on the basis of aggregate number of New Equity Shares of the Second Transferee Company issued to the Transferor Company, pursuant to the acquisition of bottom division.
- (c) Subsequent to the accounting carried out as per clause (b) above, the Second Transferee Company shall record the difference, if any between the consideration paid for acquisition of the bottoms division, i.e issue of shares at a premium and the fair value of such net assets (i.e assets less liabilities) taken over, in Goodwill Account.

18. LEGAL PROCEEDINGS

- 18.1 All legal proceedings of whatsoever nature by or against the Transferor Company pending and / or arising at the Appointed Date and relating to the Bottoms Division of the Transferor Company, shall as and from the Effective Date be continued and enforced by or against the Second Transferee Company in the manner and to the same extent as would or might have been continued and enforced by or against the Transferor Company.
- 18.2 After the Appointed Date, if any proceedings are taken against the Transferor Company in respect of the matters referred to in the above sub-clause, it shall defend the same at the cost of the Second Transferee Company and the Second Transferee Company shall reimburse and indemnify the Transferor Company against all liabilities and obligations incurred by the Transferor Company in respect thereof.
- 18.3 The Second Transferee Company undertakes to have all legal or other proceedings initiated by or against the Transferor Company referred to in clause 18.1 above transferred into its name and to have the same continued, prosecuted and enforced by or against the Second Transferee Company to the exclusion of the Transferor Company.

19. SAVING OF CONCLUDED TRANSACTIONS

The transfer and vesting of the assets, liabilities and obligations of the Bottoms Division under clause - 12 hereof shall not affect any transactions or proceedings. already completed by the Transferor Company on or before the Appointed Date to the end and intent that, the Second Transferee Company accepts all acts, deeds and things done and executed by and/or on behalf of the Transferor Company in relation to the Bottoms Division which shall vest in the Second Transferee Company in terms of this Scheme as acts, deeds and things made, done and executed by and on behalf of the Second Transferee Company.

PART IV : FAIR VALUATION OF THE ASSETS OF CFL

20. FAIR VALUATION OF THE ASSETS OF CFL

- 20.1 Upon the sanction of the Scheme, on the Fair Valuation Date, the Transferor Company shall record its assets at fair values. The Transferor Company may also provide for any impairment, diminution, loss, amortization and/ or write-off of assets/ investments/ intangibles (including goodwill), in its financial statements.
- 20.2 The Transferor Company will credit an amount equal to the excess of the fair values of assets over their respective book values to the Revaluation Reserve Account. Further, the shortfall, if any, for the difference in fair value of the assets over their respective book values shall be debited to the Profit & Loss Account.
- 20.3 Any expenses in the nature of additional depreciation charged or suffered by the Transferor Company as the case may be, attributable to the difference in value of the assets recorded by it over and above the book value of the assets of the Transferor Company shall be debited to its Profit & Loss Account.

PART V : REDUCTION OF THE CAPITAL OF CFL AND ITFL

21. As an integral part of this Scheme, the Transferor Company and First Transferee company shall make the following accounting adjustments:

CAPITAL REDUCTION IN CFL

- 21.1 The Transferor Company shall write off the accumulated losses against the Securities Premium Account to the extent available and/or against the Profit & Loss Account / General Reserve Account / Capital Reserves, including the reserves created pursuant to fair valuation of assets of the Transferor Company as stated in clause 20.

21.2 The write off of the accumulated losses of the Transferor Company against the Securities Premium Account, as contemplated in this Scheme shall be carried out and effected as an integral part of this Scheme by following the procedure prescribed under Section 78 read with section 100 to 103 of the Companies Act, 1956 and the Order of the High Court sanctioning this Scheme shall be deemed to be an Order under Section 102 of the Act confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid up share capital and the provisions of Section 101 of the Act will not be applicable.

CAPITAL REDUCTION IN ITFL

21.3 The First Transferee Company shall cancel its pre – demerger paid up equity share capital of Rs. 5,00,000/- (Rupees Five Lakhs only) i.e. 50,000 equity shares of Rs. 10/- (Rupees Ten only) each, held by the Transferor Company, upon allotment of equity shares as per clause 9.1, as consideration for demerger. The cancellation of the pre - demerger share capital shall result in a mirror image of the shareholding pattern in the First Transferee Company as it stands for the Transferor Company, to the extent the Key Managerial ESPS offered to the employees as per clause 6.6, is not exercised by such employees.

21.4 The reduction of the pre- demerger equity share capital of the First Transferee Company, as contemplated in this Scheme shall be carried out and effected as an integral part of this Scheme by following the procedure prescribed under Section 100 to 103 of the Companies Act, 1956 and the Order of the High Court sanctioning this Scheme shall be deemed to be an Order under Section 102 of the Act confirming the reduction.

PART VI : GENERAL TERMS AND CONDITIONS

22. REMAINING UNDERTAKING TO CONTINUE WITH THE TRANSFEROR COMPANY

The Remaining Undertaking and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and remain in and be managed by the Transferor Company.

23. DIVIDENDS

23.1 The Transferor Company and Transferee Companies shall be entitled to declare and pay dividends, whether interim or final, to their respective shareholders in respect of the accounting period after the Appointed Date and prior to the Effective Date

23.2 The holders of the shares of the Transferor Company and the Transferee Companies shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing rights under their respective articles of association including the right to receive dividends.

23.3 It is clarified that the aforesaid provisions in respect of declaration of dividends are enabling provisions only and shall not be deemed to confer any right on any member of the Transferor Company and/or the Transferee Companies to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the respective Boards of Directors of the Transferor Company and the Transferee Companies and subject to the approval of the shareholders of the Transferor Company and the Transferee Companies respectively.

24. APPLICATION TO HIGH COURT

24.1 The Transferor Company and the Transferee Companies shall make applications/petitions under Sections 391 to 394 read with Section 78 and Sections 100 to 103 and other applicable provisions of the Companies Act, 1956 to the High Court of Judicature at Madras for holding/dispensing with the meetings of the shareholders and/or creditors of all the Companies and for sanction of this Scheme under the provisions of law.

24.2 The Transferee Companies shall be entitled, pending the sanction of the Scheme, to apply to the Central Government or any State Government and all other agencies, departments and authorities concerned as may be necessary under any law for such

consents, approvals and sanctions which the Transferee Companies may require to own the Indian Terrain Division and the Bottoms Division respectively and carry on business activities relating to the Indian Terrain Division and the Bottoms Division.

25. MODIFICATION OR AMENDMENTS TO THE SCHEME

The Transferor Company and the Transferee Companies by their respective Board of Directors may assent to any modifications/ amendments to the Scheme or to any conditions or limitations that the Court and / or the Stock Exchanges and /or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them (i.e. the Board of Directors). The Transferor Company and the Transferee Companies by their respective Board of Directors are hereby authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or orders of any other authorities or otherwise howsoever arising out of or under or by virtue of the Scheme and /or any matter concerned or connected therewith.

26. CONDITIONALITY OF SCHEME

26.1 This Scheme is conditional upon and subject to:

- (a) This Scheme being agreed to by the respective requisite majorities of the various classes of members and creditors (where applicable) of the Transferor Company and the Transferee Companies as required under the Act and the requisite orders of the High Court being obtained;
- (b) The requisite sanctions and approvals including but not limited to in-principle approvals, stock exchange approval, sanctions of any governmental authority, as may be required by law in respect of this Scheme being obtained; and
- (c) The certified copies of the orders of the High Court sanctioning this Scheme being filed with the Registrar of Companies, Tamil Nadu.

26.2 In the event of this Scheme failing to take effect within 15 months of first filing in High Court or such later date as may be agreed by the respective Boards of Directors of the Transferor Company and the Transferee Companies, this Scheme shall stand revoked, cancelled and be of no effect and become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred inter se by the parties or their shareholders or creditors or employees or any other person. In such case, each company

shall bear its own costs, charges and expenses or shall bear costs, charges and expenses as may be mutually agreed.

27. COSTS, CHARGES AND EXPENSES

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