

SCHEME OF ARRANGEMENT

BETWEEN

CRAVATEX BRANDS LIMITED
(“DEMERGED COMPANY” OR “CBL”)
AND

METRO BRANDS LIMITED
(“RESULTING COMPANY” OR “MBL”)

AND

THEIR RESPECTIVE SHAREHOLDERS

UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013

A. DESCRIPTION OF COMPANIES

1. **Cravatex Brands Limited (“Demerged Company” or “CBL”)** is a company incorporated under the provisions of the Companies Act, 2013. The Demerged Company is an unlisted public company, *inter alia*, engaged in the business of dealership of gym equipment's, branded goods of apparel, footwear and accessories and currently has the license to sell FILA and VANS products. Further, the Demerged Company is also the owner of PROLINE brand products.
2. **Metro Brands Limited (“Resulting Company” or “MBL”)**, is a company incorporated under the provisions of the Companies Act, 1956. The Resulting Company is, *inter alia*, a retailer in fashion footwear, bags and accessories operating in the premium and economy category. The shares of the Resulting Company are listed on the National Stock Exchange of India Limited and BSE Limited in India.

B. PREAMBLE

1. This Scheme (*as defined hereinafter*) is presented under Sections 230 to 232 and other applicable provisions of the Act (*as defined hereinafter*), read with Section 2(19AA) and other applicable provisions of the Income Tax Act (*as defined hereinafter*) and provides for the demerger, transfer and vesting of the Demerged Undertaking (*as defined hereinafter*) from the Demerged Company (*as defined hereinafter*) into the Resulting Company (*as defined hereinafter*) on a going concern basis.
2. This Scheme also provides for various other matters consequent and incidental thereto.

C. RATIONALE

1. As part of an overall strategy for the optimum running, growth and development of the businesses of the Demerged Company, it is considered desirable and expedient to reorganise and reconstruct the Demerged Company by demerging its Demerged Undertaking, involving the ‘FILA business’, to the Resulting Company.
2. The Scheme is expected, *inter alia*, to result in the following benefits:
 - (i) value unlocking of the respective businesses of the Demerged Company and the Resulting Company based on respective risk return profile and cash flows;
 - (ii) provide better flexibility in accessing capital and attract business specific partners and investors; and
 - (iii) focused management approach for pursuing revenue growth and expansion opportunities in the respective business verticals.

D. PARTS OF THE SCHEME

The Scheme (*as defined hereinafter*) is divided into the following parts:

1. **PART I** deals with the definitions, share capital of the Parties, date of taking effect and implementation of this Scheme;

2. **Part II** deals with the transfer and vesting of the Demerged Undertaking from the Demerged Company into the Resulting Company on a *going concern basis*; and
3. **PART III** deals with the general terms and conditions applicable to this Scheme.

PART - I

DEFINITIONS, SHARE CAPITAL OF THE PARTIES, DATE OF TAKING EFFECT AND IMPLEMENTATION OF THIS SCHEME

1. DEFINITIONS

- 1.1. In this Scheme, unless inconsistent with the subject or context thereof: (i) capitalised terms defined by inclusion in quotations and/ or parenthesis have the meanings so ascribed; (ii) all terms and words not defined in this Scheme shall have the meaning ascribed to them under the relevant Applicable Law (*as defined hereinafter*); and (iii) the following expressions shall have the meanings ascribed hereunder:

“Act” means the Companies Act, 2013 and rules made thereunder, including any statutory modifications, re-enactments or amendments thereof for the time being in force;

“Applicable Law” means any applicable central, provincial, local or other law including all applicable provisions of all: (a) constitutions, decrees, treaties, statutes, laws (including the common law), codes, notifications, rules, regulations, policies, guidelines, circulars, directions, directives, ordinances or orders of any Appropriate Authority, statutory authority, court, tribunal having jurisdiction over the Parties; (b) Permits; and (c) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Appropriate Authority having jurisdiction over the Parties as may be in force from time to time;

“Appointed Date” means opening of business hours of 1st April 2023 or such other date as may be decided by the Board of the Parties and approved by the Tribunal or as directed or imposed by the Tribunal;

“Appropriate Authority” means:

- (a) the government of any jurisdiction (including any national, state, municipal or local government or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, tribunal, central bank, commission or other authority thereof;
- (b) any public international organisation or supranational body and its institutions, departments, agencies and instrumentalities; and
- (c) any governmental, quasi-governmental or private body or agency lawfully exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, tax, importing, exporting or other governmental or quasi-governmental authority.

“Board” in relation to the Parties, means the board of directors of such Party and shall include a committee of directors or any person authorized by such board of directors, or such committee of directors duly constituted and authorized for the purposes of matters pertaining to this Scheme or any other matter relating thereto;

“Demerged Company” means Cravatex Brands Limited (CIN: U51909MH2016PLC288788), a company incorporated under the Companies Act, 2013 and having its registered office at 401, Zillion, 4th Floor, LBS Marg & CST Road Junction, Kurla (West), Mumbai – 400070, Maharashtra, India;

“Demerged Undertaking” means the entire undertaking of the Demerged Company pertaining to the FILA Business, as of the Appointed Date, and shall include (without limitation):

- (a) all the movable and immovable properties, tangible or intangible, including all computers and accessories, software, applications and related data, furniture, fixtures, vehicles, stocks and inventory, leasehold assets and other properties, real, corporeal and incorporeal, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, cash in hand, amounts lying in the banks, investments, escrow accounts, claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, contracts, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, freehold/ leasehold rights, brands, sub-

letting tenancy rights, rights as lessee, leave and license permissions, goodwill, customer relationships and other intangibles, licenses, approvals, Permits, authorisations, trademarks, trade names, patents, patent rights, copyrights, and other intellectual properties and rights of any nature whatsoever including know-how, websites, portals, domain names, or any applications for the above, assignments and grants in respect thereof, right to use and avail of telephones, telex, facsimile, email, internet, leased lines and other communication facilities, connections, installations and equipment, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits (including all work-in progress), of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from government, semi-government, local authorities or any other Person including customers, contractors or other counter parties, etc., all earnest monies and/ or deposits, privileges, liberties, easements, advantages, benefits, exemptions, licenses, privileges and approvals of whatsoever nature and wheresoever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Demerged Company in relation to and pertaining to the FILA Business;

- (b) any and all memberships and registrations of the Demerged Company in relation to and pertaining to the FILA Business;
- (c) all receivables, loans and advances, including accrued interest thereon, all advance payments, earnest monies and/ or security deposits, payment against warrants, if any, or other entitlements of the Demerged Company in relation to and pertaining to the FILA Business;
- (d) all contracts, agreements, declarations, statements, purchase orders/ service orders, agreement with customers, purchase and other agreements with the supplier/ service providers, other arrangements, undertakings, deeds, bonds, schemes, insurance covers and claims and clearances and other instruments of whatsoever nature and description including all client registration forms/ KYC (know your customer) records/ POAs (power of attorney) issued by clients, client records, authorisations, client details, whether written, oral or otherwise and all rights, title, interests, claims and benefits thereunder pertaining to the FILA Business; and all other rights including sales tax deferrals and exemptions and other benefits, the input credit balances (including, State Goods & Service Tax ("SGST"), Integrated Goods and Services Tax ("IGST") and Central Goods and Service Tax ("CGST") credits) under the goods and service tax laws, CENVAT/ MODVAT credit balances under Central Excise Act, 1944, sales tax law, duty drawback claims, rebate receivables, refund and advance, all customs duty benefits and exemptions, export and import incentives and benefits or any other benefits/ incentives/ exemptions given under any policy announcements issued or promulgated by the government of India or state government or any other government body or authority or any other like benefits under any statute) receivables, and liabilities related thereto, licenses, powers and facilities of every kind, nature and description whatsoever provisions and benefits of all agreements, contracts and arrangements and all other interests in connection with or relating to the FILA Business, whether or not so recorded in the books of the Demerged Company;
- (e) all Tax credits, refunds, reimbursements, claims, concessions, exemptions, benefits under Tax Laws including advance taxes, tax deducted at source, right to carry forward and set-off accumulated losses and unabsorbed depreciation, if any, deferred tax assets, goods and service tax credit, deductions and benefits under the Income Tax Act or any other Taxation statute enjoyed by the Demerged Company pertaining to the FILA Business;
- (f) all debts, borrowings and liabilities, whether present, future or contingent or deferred tax liabilities, whether secured or unsecured, pertaining to the FILA Business;
- (g) all Permits, licences, approvals, registrations, powers, authorities, allotments, consents, rights, benefits, advantages, municipal permissions, trademarks, designs, copyrights, patents and other intellectual property rights of the Demerged Company pertaining to its FILA Business, whether registered or unregistered and powers of every kind, nature and description whatsoever, whether from the government bodies or otherwise, pertaining to or relating to the FILA Business;

- (h) entire experience, credentials, past record and market share of the Demerged Company pertaining to the FILA Business;
- (i) all books, records, files, papers, records of standard operating procedures, computer programs along with their licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, pertaining to the FILA Business of the Demerged Company; and
- (j) all employees of the Demerged Company engaged in the FILA Business.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Demerged Undertaking will include:

- (a) The liabilities which arise out of the activities or operations of the Demerged Undertaking;
- (b) Specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the Demerged Undertaking; and
- (c) Liabilities other than those referred to above, being the amounts of general or multipurpose borrowings of Demerged Company, allocated to the Demerged Undertaking in the same proportion in which the value of the assets transferred to the Resulting Company under part II of this Scheme bear to the total value of the assets of Demerged Company immediately before giving effect to this Scheme.

Further, the Board of Directors of Demerged Company and Resulting Company may mutually agree and determine the appropriate allocation of asset and liability for the Demerged Undertaking or whether it arises out of the activities or operations of the Demerged Undertaking.

“Effective Date” means the day on which the certified / authenticated copy of the order of the Tribunal sanctioning this Scheme is filed with the respective applicable RoC by the Demerged Company and the Resulting Company;

“Encumbrance” means (i) any charge, lien (statutory or otherwise), or mortgage, any easement, encroachment, right of way, right of first refusal or other encumbrance or security interest securing any obligation of any Person; (ii) pre-emption right, option, right to acquire, right to set off or other third party right or claim of any kind, including any restriction on use, voting, transfer, receipt of income or exercise; or (iii) any hypothecation, title retention, restriction, power of sale or other preferential arrangement; or (iv) any agreement to create any of the above; and the term **“Encumber”** shall be construed accordingly;

“FILA Business” means the business of importing, trading, selling, marketing, advertising, retailing and distribution of footwear, apparel, and accessories under the licensed brand ‘FILA’ in India, Pakistan, Sri Lanka, Bangladesh, Nepal, and Bhutan;

“Income Tax Act” means the Income-tax Act, 1961 and will include any statutory modifications, re-enactment or amendment thereof for the time being in force;

“Parties” means collectively, Demerged Company and the Resulting Company and “Party” shall mean each of them, individually;

“Permits” means all consents, licences, permits, certificates, permissions, authorisations, rights (including rights to use any immovable properties, contractual or otherwise), clarifications, approvals, clearances, confirmations, declarations, waivers, exemptions, registrations, filings, whether governmental, statutory, regulatory or otherwise as required under Applicable Law;

“Person” means an individual, a partnership, a corporation, a limited liability partnership, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or an Appropriate Authority;

“Remaining Business of Demerged Company” means all the business, units, divisions, undertakings, and assets and liabilities of the Demerged Company other than those forming part of the Demerged Undertaking;

“**Resulting Company**” means Metro Brands Limited (CIN: L19200MH1977PLC019449), a company incorporated under the Companies Act, 1956 and having its registered office at 401, Zillion, 4th Floor, LBS Marg & CST Road Junction, Kurla (West), Mumbai – 400070, Maharashtra, India;

“**RoC**” means the Office of Registrar of Companies, Mumbai, Maharashtra having jurisdiction over the Parties;

“**Scheme**” or “**this Scheme**” means this scheme of arrangement, as modified from time to time by the Board of the respective Parties;

“**Tax Laws**” means all Applicable Laws dealing with Taxes including but not limited to income tax, wealth tax, sales tax/ value added tax, service tax, goods and service tax, excise duty, customs duty or any other levy of similar nature;

“**Taxation**” or “**Tax**” or “**Taxes**” means all forms of direct and indirect taxes and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies and whether levied by reference to income, profits, book profits, gains, net wealth, asset values, turnover, added value, goods and service or otherwise and shall further include payments in respect of or on account of tax, whether by way of deduction at source, collection at source, advance tax, goods and services tax or otherwise or attributable directly or primarily to the respective Parties, or any other Person and all penalties, charges, costs and interest relating thereto;

“**Tribunal**” means the Mumbai bench of the National Company Law Tribunal having jurisdiction over the Parties.

1.2. In this Scheme, unless the context otherwise requires:

1.2.1 words denoting the singular shall include the plural and *vice versa*;

1.2.2 reference to any legislation, statute, regulation, rule, notification, or any other provision of law means and includes references to such legal provisions as amended, supplemented, or re-enacted from time to time, and any reference to a legal provision shall include any subordinate legislation made from time to time under such a statutory provision;

1.2.3 any Person includes that Person’s legal heirs, administrators, executors, liquidators, successors, successors-in-interest and permitted assigns, as the case may be;

1.2.4 headings, sub-headings, titles, sub-titles to clauses, sub-clauses and paragraphs are for information and convenience only and shall be ignored in construing the same; and

1.2.5 the words “include” and “including” are to be construed without limitation.

2. SHARE CAPITAL

2.1 The share capital of the Demerged Company as on 31 December 2022 is as under:

Particulars	Amount in INR
Authorized Capital	
48,00,000 equity shares of INR 100 each	48,00,00,000
1,41,66,875 preference shares of INR 100 each	141,66,87,500
TOTAL	189,66,87,500
Issued, Subscribed and Paid-up Capital	
40,82,789 Equity shares of INR 100 each fully paid up	40,82,78,900
57,00,000 preference shares of INR 100 each	57,00,00,000
TOTAL	97,82,78,900

Subsequent to the aforesaid date, there has been no change in the authorised, issued, subscribed and paid-up share capital of the Demerged Company until the date of approval of

the Scheme by the Board of the Demerged Company. Further, the entire issued, subscribed and paid up share capital of the Demerged Company is held by the Resulting Company.

2.2 The share capital of Resulting Company as on 31 December 2022 is as under:

Particulars	Amount in INR
<u>Authorised Capital</u>	
30,00,00,000 Equity shares of INR 5 each	1,50,00,00,000
TOTAL	1,50,00,00,000
<u>Issued, Subscribed and Paid-up Capital</u>	
27,17,28,049 Equity shares of INR 5 each fully paid up	1,358,640,245
TOTAL	1,358,640,245

The Authorized, issued, subscribed and paid-up share capital of the Resulting Company as on the date of approval of the Scheme by the Board of the Resulting Company, i.e., 23 March 2023 is as under:

Particulars	Amount in INR
<u>Authorised Capital</u>	
30,00,00,000 Equity shares of INR 5 each	1,50,00,00,000
TOTAL	1,50,00,00,000
<u>Issued, Subscribed and Paid-up Capital</u>	
271,733,221 Equity shares of INR 5 each fully paid up	1,358,666,105
TOTAL	1,358,666,105

Post the approval of the Scheme by the Board of the Resulting Company, the Resulting Company has allotted 1,040 (One thousand and forty only) Equity shares of INR 5/- each on April 10, 2023 pursuant to the Employees Stock Option Scheme.

3. DATE OF TAKING EFFECT AND IMPLEMENTATION OF THIS SCHEME

This Scheme in its present form or with any modification(s) made as per Clause 15 of this Scheme, shall become operative from the Effective Date and deemed to be effective from the Appointed Date.

DEMERGER AND VESTING OF THE DEMERGED UNDERTAKING

4. DEMERGER AND VESTING OF THE DEMERGED UNDERTAKING

- 4.1. With effect from the Appointed Date and in accordance with the provisions of this Scheme and pursuant to Sections 230 to 232 and other applicable provisions of the Act and Section 2(19AA) of the Income Tax Act, the Demerged Undertaking along with all its assets, Permits, contracts, liabilities, loan, duties and obligations of the Demerged Company shall, without any further act, instrument or deed, stand transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company on a *going concern* basis, so as to become as and from the Appointed Date, the assets, Permits, contracts, liabilities, loan, debentures, duties and obligations of the Resulting Company by virtue of operation of law, and in the manner provided in this Scheme.
- 4.2. Without prejudice to the generality of the provisions of Clause 4.1 above, the manner of transfer and vesting of assets and liabilities forming part of the Demerged Undertaking under this Scheme, is as follows:
- 4.2.1 In respect of such of the assets and properties forming part of the Demerged Undertaking which are movable in nature (including but not limited to all intangible assets, brands, trademarks of the Demerged Undertaking, whether registered or unregistered trademarks along with all rights of commercial nature including attached goodwill, title, interest, labels and brand registrations, copyrights trademarks and all such other industrial and intellectual property rights of whatsoever nature) or are otherwise capable of transfer by delivery or possession or by endorsement, shall stand transferred upon the Scheme coming into effect and shall, ipso facto and without any other order to this effect, become the assets and properties of the Resulting Company without requiring any deed or instrument of conveyance for transfer of the same. The vesting pursuant to this sub-clause shall be deemed to have occurred by physical or constructive delivery or by endorsement and delivery or by vesting and recordal, pursuant to this Scheme, as appropriate to the property being vested, and title to the property shall be deemed to have been transferred accordingly;
- 4.2.2 Subject to Clause 4.2.3 below, with respect to the assets forming part of the Demerged Undertaking other than those referred to in Clause 4.2.1 above, including all rights including lease rental rights, title and interests in the agreements (including agreements for lease or license of the properties), investments in shares, mutual funds, bonds and any other securities, sundry debtors, claims from customers or otherwise, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with any Appropriate Authority, customers and other Persons, whether or not the same is held in the name of the Demerged Company, 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, with effect from the Appointed Date by operation of law as transmission in favour of Resulting Company. With regard to the licenses of the properties, the Resulting Company will enter into novation agreements, if it is so required;
- 4.2.3 In respect of such of the assets and properties forming part of the Demerged Undertaking which are immovable in nature, whether or not included in the books of the Demerged Company, including rights, interest and easements in relation thereto, the same shall stand transferred to the Resulting Company with effect from the Appointed Date, without any act or deed or conveyance being required to be done or executed by the Demerged Company and/ or the Resulting Company;
- 4.2.4 For the avoidance of doubt and without prejudice to the generality of Clause 4.2.3 above and Clause 4.2.5 below, it is clarified that, with respect to the immovable properties forming part of the Demerged Undertaking in the nature of land and buildings, the Demerged Company and the Resulting Company shall register the true copy of the orders of the Tribunal approving the Scheme with the offices of the relevant Sub-registrar of Assurances or similar registering authority having jurisdiction over the location of such immovable property and shall also execute and register, as applicable, such other documents as may be necessary in this regard. For the avoidance of doubt, it is clarified that any document executed pursuant to this Clause

4.2.4 or Clause 4.2.5 below will be for the limited purpose of meeting regulatory requirements and shall not be deemed to be a document under which the transfer of any property of the Demerged Company takes place and the assets and liabilities forming part of the Demerged Undertaking shall be transferred solely pursuant to and in terms of this Scheme and the order of the Tribunal sanctioning this Scheme;

- 4.2.5 Notwithstanding anything contained in this Scheme, with respect to the immovable properties forming part of the Demerged Undertaking in the nature of land and buildings situated in states other than the state of Maharashtra, whether owned or leased, for the purpose of, inter alia, payment of stamp duty and vesting in the Resulting Company, if the Resulting Company so decides, the Demerged Company and the Resulting Company, whether before or after the Effective Date, may execute and register or cause to be executed and registered, separate deeds of conveyance or deeds of assignment of lease, as the case may be, in favour of the Resulting Company in respect of such immovable properties. Each of the immovable properties, only for the purposes of the payment of stamp duty (if required under Applicable Law), shall be deemed to be conveyed at a value determined by the relevant authorities in accordance with the applicable circle rates. The transfer of such immovable properties shall form an integral part of this Scheme; and
- 4.2.6 Upon effectiveness of Part III of the Scheme, all debts, liabilities, loans, obligations and duties of the Demerged Company as on the Appointed Date and relating to the Demerged Undertaking shall, without any further act or deed, be and stand transferred to and be deemed to be transferred to the Resulting Company, in compliance with the requirements of Section 2(19AA) of the Income Tax Act, to the extent that they are outstanding as on the Appointed Date and the Resulting Company shall meet, discharge and satisfy the same.
- 4.2.7 However, the tax liabilities and tax demands or refunds received or to be received by the Demerged Company for a period prior to the Appointed Date in relation to the Demerged Undertaking shall not be transferred to the Resulting Company.
- 4.2.8 The Demerged Company may, at its sole discretion but without being obliged to, give notice in such form as it may deem fit and proper, to such Persons, as the case may be, that any debt, receivable, bill, credit, loan, advance, debenture or deposit, contracts or policies relating to the Demerged Undertaking stands transferred to and vested in the Resulting Company and that appropriate modification should be made in their respective books/ records to reflect the aforesaid changes;
- 4.2.9 Unless otherwise agreed to between the Demerged Company and the Resulting Company, the vesting of all the assets of the Demerged Company forming part of the Demerged Undertaking, as aforesaid, shall be subject to the Encumbrances, if any, over or in respect of any of the assets or any part thereof, provided however that such Encumbrances shall be confined only to the relevant assets forming part of the Demerged Undertaking of the Demerged Company or part thereof on or over which they are subsisting on and vesting of such assets in the Resulting Company and no such Encumbrances shall extend over or apply to any other asset(s) of Resulting Company. Any reference in any security documents or arrangements (to which Demerged Company is a party) related to any assets of Demerged Company shall be so construed to the end and intent that such security shall not extend, nor be deemed to extend, to any of the other asset(s) of Resulting Company. Similarly, Resulting Company shall not be required to create any additional security over assets vested under this Scheme for any loans, debentures, deposits, or other financial assistance already availed of/ to be availed of by it, and the Encumbrances in respect of such indebtedness of the Demerged Company shall not extend or be deemed to extend or apply to the assets so vested.
- 4.2.10 In so far as any Encumbrance in respect of Demerged Undertaking Liabilities is concerned, such Encumbrance shall without any further act, instrument or deed being required to be modified and, if so agreed, shall be extended to and shall operate over the assets of the Resulting Company. For the avoidance of doubt, it is hereby clarified that in so far as the assets comprising the Remaining Business of the Demerged Company are concerned, the Encumbrance, if any, over such assets relating to the Demerged Undertaking Liabilities, without any further act, instrument or deed being required, be released and discharged from the obligations and Encumbrances relating to the same. Further, in so far as the assets comprised in the Demerged Undertaking

are concerned, the Encumbrance over such assets relating to any loans, borrowings or other debts which are not transferred to the Resulting Company pursuant to this Scheme and which shall continue with the Demerged Company, shall without any further act or deed be released from such Encumbrance and shall no longer be available as security in relation to such liabilities.

- 4.2.11 Taxes, if any, paid or payable by the Demerged Company after the Appointed Date and specifically pertaining to Demerged Undertaking shall be treated as paid or payable by the Resulting Company and the Resulting Company shall be entitled to claim the credit, refund or adjustment for the same as may be applicable.
- 4.2.12 If the Demerged Company is entitled to any unutilized credits (including unutilised credits and unabsorbed depreciation), balances or advances, benefits under the incentive schemes and policies including tax holiday or concessions relating to the Demerged Undertaking under any Tax Laws or Applicable Laws, the Resulting Company shall be entitled as an integral part of the Scheme to claim such benefit or incentives or unutilised credits, as the case may be, without any specific approval or permission.
- 4.2.13 Upon the Scheme becoming effective, the Demerged Company and the Resulting Company shall have the right to revise their respective financial statements and returns along with prescribed forms, filings and annexures under the Tax Laws and to claim refunds and/ or credit for Taxes paid and for matters incidental thereto, if required, to give effect to the provisions of the Scheme. The Demerged Company and the Resulting Company are expressly permitted to revise and file its income tax returns and other statutory returns, even beyond the due date, if required, including tax deducted/ collected at source returns, service tax returns, excise tax returns, sales tax/ value added tax/ goods and service tax returns, as may be applicable and has expressly reserved the right to make such provision in its returns and to claim refunds, advance tax credits, credit of tax deducted at source, credit of foreign taxes paid/ withheld, etc. if any, as may be required for the purposes of implementation of the Scheme. It is further clarified that the Resulting Company shall be entitled to claim deduction under Section 43B of the Income Tax Act in respect of unpaid liabilities transferred to it as part of the Demerged Undertaking to the extent not claimed by the Demerged Company.
- 4.2.14 Subject to Clause 4 and any other provisions of the Scheme, in respect of any refund, benefit, incentive, grant or subsidy in relation to or in connection with the Demerged Undertaking, the Demerged Company shall, if so required by the Resulting Company, issue notices in such form as the Resulting Company may deem fit and proper, stating that pursuant to the Tribunal having sanctioned this Scheme, the relevant refund, benefit, incentive, grant or subsidy be paid or made good to or held on account of the Resulting Company, as the Person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realise the same stands transferred to the Resulting Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;
- 4.2.15 On and from the Effective Date and till such time that the name of the bank accounts of the Demerged Company, in relation to or in connection with the Demerged Undertaking, have been replaced with that of the Resulting Company, the Resulting Company shall be entitled to maintain and operate such bank accounts of the Demerged Company, in the name of the Demerged Company for such time as may be determined to be necessary by the Resulting Company. On and from the Effective Date, all cheques and other negotiable instruments and payment orders received or presented for encashment which are in the name of the Demerged Company and are in relation to or in connection with the Demerged Undertaking, shall be accepted by the bankers of the Resulting Company and credited to the account of Resulting Company, if presented by Resulting Company;
- 4.2.16 Contracts in relation to the Demerged Undertaking, where the Demerged Company is a party, shall stand transferred to and vested in the Resulting Company pursuant to the Scheme becoming effective. The absence of any formal amendment which may be required by a third party to effect such transfer and vesting shall not affect the operation of the foregoing sentence. The Demerged Company and Resulting Company shall, wherever necessary, enter into and/ or execute deeds, writings,

confirmations or novations to all such contracts, if necessary, in order to give formal effect to the provisions of this Clause.

- 4.3. Without prejudice to the provisions of the foregoing sub-clauses of this Clause, the Demerged Company and the Resulting Company may execute any and all instruments or documents and do all the acts, deeds and things as may be required, including executing necessary confirmatory deeds for filing with the trademark registry and Appropriate Authorities, filing of necessary particulars and/ or modification(s) of charge, necessary applications, notices, intimations or letters with any Appropriate Authority or Person to give effect to the Scheme. Any procedural requirements required to be fulfilled solely by the Demerged Company or upon the Scheme becoming effective, shall be fulfilled by the Resulting Company as if it were the duly constituted attorney of the Demerged Company. The Resulting Company shall take such actions as may be necessary and permissible to get the assets, Permits and contracts forming part of the Demerged Undertaking transferred and/ or registered in its name.

5. EMPLOYEES

- 5.1 With effect from the Effective Date, the Resulting Company undertakes to engage, without any interruption in service, all employees of the Demerged Company, engaged in or in relation to the Demerged Undertaking, on the terms and conditions not less favourable than those on which they are engaged by the Demerged Company. The Resulting Company undertakes to continue to abide by any agreement/ settlement or arrangement, if any, entered into or deemed to have been entered into by the Demerged Company with any of the aforesaid employees. The Resulting Company agrees that the services of all aforesaid employees with the Demerged Company prior to the demerger shall be taken into account for the purposes of all existing benefits to which the aforesaid employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other retiral/ terminal benefits. The decision on whether or not an employee is part of the Demerged Undertaking, be decided by the Demerged Company, and shall be final and binding on all concerned.

- 5.2 Upon the Scheme coming into effect and with effect from the Appointed Date, employment information, including personnel files (including hiring documents, existing employment contracts, and documents reflecting changes in an employee's position, compensation, or benefits), payroll records, medical documents (including documents relating to past or on-going leaves of absence, on the job injuries or illness, or fitness for work examinations), disciplinary records, supervisory files relating to the employees of the Demerged Undertaking and all forms, notifications, orders and contribution / identity cards issued by the concerned authorities relating to benefits shall be deemed to have been transferred to the Resulting Company.

- 5.3 The accumulated balances, if any, standing to the credit of the aforesaid employees in the existing provident fund, gratuity fund and superannuation fund of which they are members, as the case may be, will be transferred respectively to such provident fund, gratuity fund and superannuation funds nominated by the Resulting Company and/ or such new provident fund, gratuity fund and superannuation fund to be established in accordance with Applicable Law and caused to be recognized by the Appropriate Authorities, by the Resulting Company. Pending the transfer as aforesaid, the provident fund, gratuity fund and superannuation fund dues of the aforesaid employees would be continued to be deposited in the existing provident fund, gratuity fund and superannuation fund respectively of the Demerged Company.

6. LEGAL PROCEEDINGS

- 6.1. With effect from the Effective Date, all suits, actions, administrative proceedings, tribunals proceedings, show cause notices, demands and legal proceedings of whatsoever nature (except proceedings with respect to Income Tax Act) by or against the Demerged Company pending and/or arising on or before the Appointed Date or which may be instituted any time thereafter and in each case relating to the Demerged Undertaking shall not abate or be discontinued or be in any way prejudicially affected by reason of this Scheme or by anything contained in this Scheme but shall be continued and be enforced by or against the Resulting Company with effect from the Appointed Date in the same manner and to the same extent as would or might have been continued and enforced by or against the Demerged Company. Except as otherwise provided herein, the Demerged Company shall in no event be responsible or liable in relation to any such legal or other proceedings that stand transferred to the Resulting Company. The Resulting Company shall be substituted in place of the Demerged Company or added as party to such proceedings and shall prosecute or defend such proceedings at its own cost, in cooperation with the Demerged Company and the liability

of the Demerged Company shall consequently stand nullified. The Demerged Company shall in no event be responsible or liable in relation to any such legal or other proceedings in relation to the Demerged Undertaking.

- 6.2. The Resulting Company undertakes to have all legal and other proceedings (except proceedings with respect to Income Tax Act) initiated by or against the Demerged Company referred to in Clause 6.1 above transferred to its name as soon as is reasonably practicable after the Effective Date and to have the same continued, prosecuted and enforced by or against the Resulting Company to the exclusion of the Demerged Company on priority. The concerned Parties shall make relevant applications and take all steps as may be required in this regard.
- 6.3. Notwithstanding anything contained hereinabove, if at any time after the Effective Date, the Demerged Company is in receipt of any demand, claim, notice and/ or is impleaded as a party in any proceedings before any Appropriate Authority (except proceedings with respect to Income Tax Act), in each case in relation to the Demerged Undertaking, the Demerged Company shall, in view of the transfer and vesting of the Demerged Undertaking pursuant to this Scheme, take all such steps in the proceedings before the Appropriate Authority to replace the Demerged Company with the Resulting Company. However, if the Demerged Company is unable to get the Resulting Company replaced in such proceedings, the Demerged Company shall defend the same or deal with such demand in accordance with the advice of the Resulting Company and at the cost of the Resulting Company and the latter shall reimburse to the Demerged Company all liabilities and obligations incurred by the Demerged Company in respect thereof.

7. TAXES/ DUTIES/ CESS

- 7.1. Upon effectiveness of Part II of the Scheme and with effect from the Appointed Date, by operation of law pursuant to the order of the Appropriate Authority and in relation to the Demerged Undertaking of the Demerged Company:
- 7.2. All the profits or income taxes (including but not limited to advance tax, tax deducted at source, tax collected at source, foreign tax credits, received by the Demerged Company), all input credit balances (including but not limited to CENVAT/ MODVAT, sales tax, applicable excise and customs duties, SGST, IGST and CGST credits under the goods and service tax laws) or any costs, charges, expenditure accruing to the Demerged Company in India and abroad or expenditure or losses arising or incurred or suffered by the Demerged Company shall for all purpose be treated and be deemed to be and accrue as the profits, taxes (namely advance tax, tax deducted at source, tax collected at source, & foreign tax credits), tax losses, input credit balances (namely CENVAT/ MODVAT, sales tax, applicable excise and customs duties, SGST, IGST and CGST credits under the goods and service tax laws), income costs, charges, expenditure or losses of the Resulting Company, as the case may be.
- 7.3. If the Demerged Company is entitled to any benefits under incentive schemes and policies under Tax Laws, such as tax deferrals, exemptions, benefits and subsidies, concessions, grants, rights, claims, leases, tenancy rights, liberties, special status and all such benefits under all such incentive schemes and policies as mentioned above shall be available and stand vested in the Resulting Company and shall remain valid, effective and enforceable on the same terms and conditions.
- 7.4. Upon the Scheme becoming effective, the Demerged Company and/ or the Resulting Company shall have the right to revise their respective financial statements, income tax returns, tax deducted at source returns and other statutory returns along with prescribed forms, filings and annexures under the Tax Laws and to claim refunds, credit of tax deducted at source, credit of foreign taxes paid / withheld, carry forward of tax losses, credits in respect of sales tax, value added tax, service tax, goods and services tax and other indirect taxes etc., and for matters incidental thereto, if required, to give effect to the provisions of the Scheme. It is further clarified that the Resulting Company shall be entitled to claim deduction under Section 43B of the Income Tax Act in respect of unpaid liabilities transferred to it as part of the Demerged Undertaking to the extent not claimed by the Demerged Company.
- 7.5. It is hereby clarified that in case of any refunds, benefits, incentives, grants, subsidies, etc., the Demerged Company, shall, if so required by the Resulting Company, issue notices in such form as the Resulting Company may deem fit and proper stating that pursuant to the Appropriate Authority having sanctioned this Scheme under Sections 230 to 232 of the Act,

the relevant refund, benefit, incentive, grant, subsidies, be paid or made good or held on account of the Resulting Company, as the Person entitled thereto, to the end and intent that the right of the Demerged Company, to recover or realise the same, stands transferred to the Resulting Company.

8. CONSIDERATION

Upon coming into effect of this Scheme, no consideration shall be required to be paid/issued since the Demerged Company is the wholly owned subsidiary of the Resulting Company.

9. ACCOUNTING TREATMENT BY THE PARTIES IN RESPECT OF THEIR RESPECTIVE BOOKS OF ACCOUNTS

9.1. Accounting treatment in the books of the Demerged Company:

9.1.1. Upon coming into effect of this Scheme and with effect from the Appointed Date, the Demerged Company shall account for the Demerged Undertaking in its books as per the applicable Indian accounting standards and other generally accepted accounting principles in India.

9.1.2. Upon coming into effect of this Scheme and with effect from the Appointed Date, the Demerged Company shall reduce the value of all assets, liabilities pertaining to the Demerged Undertaking, as identified by the Board of the Demerged Company, transferred to the Resulting Company, at the same value appearing in the books of the Demerged Company.

9.1.3. The intercompany balances, including loans and advances, pertaining to the Demerged Undertaking, outstanding between the Resulting Company and the Demerged Company shall stand cancelled.

9.1.4. The difference between the book value of assets and liabilities, pertaining to the Demerged Undertaking transferred to the Resulting Company shall be adjusted in retained earnings of the Demerged Company.

9.1.5. Any other matter not dealt within Clause hereinabove shall be dealt with in accordance with the Indian accounting standards and other generally accepted accounting principles in India applicable to the Demerged Company.

9.2. Accounting treatment in the books of the Resulting Company:

9.2.1. Notwithstanding anything else contained the Scheme, the Resulting Company shall account for the Demerged Undertaking in its books as per the applicable accounting principles as laid down in Appendix C of the Indian Accounting Standard 103 (Ind AS 103) (Business Combination of entities under common control) notified under section 133 of the Act, the Companies (Indian Accounting Standard) Rules, 2015 and/or any other applicable Indian Accounting Standard as the case may be.

9.2.2. The Resulting Company shall record the assets and liabilities of the Demerged Undertaking vested in it pursuant to this Scheme, at their respective carrying values as determined in accordance with Ind AS and other accounting principles generally accepted in India.

9.2.3. The identity of reserves of the Demerged Undertaking shall be preserved and the Resulting Company shall record the reserves of the Demerged Undertaking, at the carrying values as determined in accordance with Ind AS and other accounting principles generally accepted in India.

9.2.4. Pursuant to demerger of Demerged Undertaking with the Resulting Company, the intercompany balances between the Resulting Company and Demerged Undertaking, if any, appearing in the books of the Resulting Company shall stand cancelled.

- 9.2.5. The value of investments held by the Resulting Company attributable to the Demerged Undertaking as determined in accordance with Ind AS and other accounting principles generally accepted in India shall stand cancelled pursuant to demerger. Accordingly, the existing carrying value of the investment held by the Resulting Company in the Demerged Company after deducting the amount attributable to Demerged Undertaking of the Demerged Company as per this clause will be deemed as the new carrying value of the investment held by the Resulting Company in the Demerged Company.
- 9.2.6. The surplus/deficit, if any arising after taking the effect of clauses 9.2.2, 9.2.3 and clause 9.2.5 after giving the effect of the adjustments referred to in clause 9.2.4, shall be transferred to "Capital Reserve Account" in the financial statements of the Resulting Company and shall be presented separately from other reserves with disclosure of its nature and purpose in its notes.
- 9.2.7. In case of any difference in accounting policies between the Demerged Undertaking and the Resulting Company, the accounting policies followed by the Resulting Company shall prevail to ensure that the financial statements reflect the position based on consistent accounting policies.
- 9.2.8. Comparative financial information in the financial statements of the Resulting Company shall be restated for accounting the impact of merger, as stated above, as if the merger has occurred from the beginning of the comparative period, irrespective of the actual date of combination. However, if a business combination had occurred after that date, the prior period information shall be restated from that date.
- 9.2.9. For accounting purpose, the Scheme will be given effect from the date when all substantial conditions for the transfer of Demerged Undertaking to the Resulting Company are completed.
- 9.2.10. Any other matter not dealt within Clause hereinabove shall be dealt with in accordance with the Indian Accounting Standards applicable to the Resulting Company.

PART III
GENERAL TERMS & CONDITIONS

10. REMAINING BUSINESSES

- 10.1. The Remaining Business of the Demerged Company shall continue to belong to and be owned and managed by the Demerged Company. The Demerged Company shall continue to be liable to perform and discharge all its liabilities and obligations in relation to the Remaining Business of the Demerged Company and the Resulting Company shall not have any liability or obligation in relation to the Remaining Business of the Demerged Company.
- 10.2. If the Resulting Company is in receipt of any demand, claim, notice and/ or is impleaded as a party in any proceedings before any Appropriate Authority, in each case in relation to the Remaining Business of the Demerged Company, the Resulting Company shall take all such steps in the proceedings before the Appropriate Authority to substitute the Resulting Company with the Demerged Company. However, if the Resulting Company is unable to get the Demerged Company so substituted in such proceedings, it shall defend the same or deal with such demand in accordance with the advice of the Demerged Company and at the cost of the Demerged Company and the latter shall reimburse the Resulting Company, against all liabilities and obligations incurred by or against Resulting Company, in respect thereof.

11. VALIDITY OF EXISTING RESOLUTIONS, ETC.

- 11.1. Upon the coming into effect of this Scheme, the resolutions/ power of attorney executed by the Demerged Company in relation to the Demerged Undertaking, as the case may be, as considered necessary by the Board of the Demerged Company in relation to the Demerged Undertaking, as the case may be, and that are valid and subsisting on the Effective Date, shall continue to be valid and subsisting and be considered as resolutions and power of attorney passed/ executed by the Resulting Company and if any such resolutions have any monetary limits approved under the provisions of the Act, or any other applicable statutory provisions, then said limits as are considered necessary by the Board of the Demerged Company, as the case may be, shall be added to the limits, if any, under like resolutions passed by the Demerged Company, as the case may be, and shall constitute the aggregate of the said limits in the Resulting Company.

12. BUSINESS UNTIL EFFECTIVE DATE

- 12.1. With effect from the Appointed Date and up to and including the Effective Date:
- 12.1.1. With effect from the date of approval of the Scheme by the respective Board of the Parties and up to and including the Appointed Date, the Demerged Company with respect to Demerged Undertaking shall be deemed to have been carrying on and shall carry on its business and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of the assets for and on account of, and in trust for the Resulting Company. The Demerged Company shall carry on its business with reasonable diligence and in the same manner as they have been doing hitherto in normal and ordinary course of business.
- 12.1.2. All profits or income arising or accruing to Demerged Company (with respect to the Demerged Undertaking) and all Taxes paid thereon (including but not limited to advance tax, tax deducted or collected at source, securities transaction tax, taxes withheld/ paid in a foreign country, etc.) or losses arising or incurred by Demerged Company (with respect to the Demerged Undertaking) shall, for all purposes, be treated as and deemed to be the profits or income, Taxes or losses, as the case may be, of the Resulting Company;
- 12.1.3. All loans raised and all liabilities and obligations incurred by Demerged Company (with respect to the Demerged Undertaking) after the Appointed Date and prior to the Effective Date, shall, subject to the terms of this Scheme, be deemed to have been raised, used or incurred for and on behalf of the Resulting Company, and to the extent they are outstanding on the Effective Date, shall also, without any further act or deed be and be deemed to become the debts, liabilities, duties and obligations of the Resulting Company.

- 12.2. The Resulting Company (with respect to the Demerged Undertaking) shall be entitled, pending the sanction of the Scheme, to apply to the Appropriate Authorities concerned as necessary under Applicable Law for such consents, approvals and sanctions which the Resulting Company, may require to carry on the relevant business of the Demerged Company and to give effect to the Scheme.
- 12.3. For the purpose of giving effect to the order passed under Sections 230 to 232 and other applicable provisions of the Act in respect of this Scheme by the Tribunal, the Resulting Company shall, at any time pursuant to the orders approving this Scheme, be entitled to get the recordal of the change in the legal right(s) upon demerger of the Demerged Undertaking in accordance with the provisions of Sections 230 to 232 of the Act. The Resulting Company shall always be deemed to have been authorized to execute any pleadings, applications, forms, etc., as may be required to remove any difficulties and facilitate and carry out any formalities or compliances as are necessary for the implementation of this Scheme. For the purpose of giving effect to the vesting order passed under Section 232 of the Act in respect of this Scheme, the Resulting Company shall be entitled to exercise all rights and privileges, and be liable to pay all taxes and charges and fulfil all its obligations, in relation to or applicable to all immovable properties, including mutation and/ or substitution of the ownership or the title to, or interest in the immovable properties which shall be made and duly recorded by the Appropriate Authority(ies) in favour of the Resulting Company pursuant to the sanction of the Scheme by the Tribunal and upon the effectiveness of this Scheme in accordance with the terms hereof, without any further act or deed to be done or executed by the Resulting Company. It is clarified that the Resulting Company shall be entitled to engage in such correspondence and make such representations, as may be necessary, for the purposes of the aforesaid mutation and/ or substitution.

13. FACILITATION PROVISIONS

It is clarified that approval of the Scheme by the respective shareholders of the Parties under Sections 230 to 232 of the Act shall be deemed to have their approval under Section 188 and other applicable provisions of the Act and that no separate approval of the of the Board or audit committee or shareholders shall be required to be sought by any of the Party.

14. APPLICATIONS/ PETITIONS TO THE TRIBUNAL

The Parties shall make and file all applications and petitions under sections 230 to 232 and other applicable provisions of the Act before the Tribunal, for sanction of this Scheme under the provisions of the Act.

15. MODIFICATION OR AMENDMENTS TO THIS SCHEME

- 15.1. The Board of the Parties may make any modifications or amendments to this Scheme at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or appropriate. The Board of the Parties may consent to any conditions or limitations that the Tribunal or any other Appropriate Authority may impose.
- 15.2. For the purposes of giving effect to this Scheme, the Board of the Parties may give such directions including directions for settling any question or difficulty that may arise and such directions shall be binding on all Parties as if the same were specifically incorporated in this Scheme.

16. CONDITIONS PRECEDENT

- 16.1. Unless otherwise decided (or waived) by Parties, the Scheme is conditional upon and subject to the following conditions precedent:
- 16.1.1. approval of the Scheme by the requisite majority of each class of shareholders and such other classes of Persons of the Parties, if any, as applicable or as may be required under the Act and as may be directed by the Tribunal;
- 16.1.2. the sanctions and orders of the Tribunal, under Sections 230 to 232 of the Act being obtained by the Parties;
- 16.1.3. certified/ authenticated copies of the orders of the Tribunal, sanctioning the Scheme, being filed with the RoC having jurisdiction over the Parties; and

16.1.4. The requisite consent, approval or permission of Appropriate Authority or any other Person which by Applicable Law or contract, agreement may be necessary for the implementation of this Scheme.

16.2. Without prejudice to Clause 16.1 and subject to the satisfaction or waiver of the conditions mentioned in Clause 16.1 above, the entire Scheme shall be made effective simultaneously.

16.3. It is hereby clarified that submission of this Scheme to the Tribunal and to the Appropriate Authorities for their respective approvals is without prejudice to all rights, interests, title, or defences that Parties may have under or pursuant to all Applicable Laws.

16.4. On the approval of this Scheme by the shareholders of the Parties and such other classes of Persons of the Parties, if any, pursuant to Clause 16.1.1, such shareholders and classes of Persons shall also be deemed to have resolved and accorded all relevant consents under the Act or otherwise to the same extent applicable in relation to the Scheme.

17. WITHDRAWAL OF THIS SCHEME, NON-RECEIPT OF APPROVALS AND SEVERABILITY

17.1. Parties, acting jointly, shall be at liberty to withdraw the Scheme, any time before the Scheme is effective.

17.2. In the event of withdrawal of the Scheme under Clause 17.1 above, no rights and liabilities whatsoever shall accrue to or be incurred inter se the Parties or their respective shareholders or creditors or employees or any other Person.

17.3. In the event of revocation/ withdrawal of the Scheme under Clause 17.1 or Clause 17.2 above, no rights and liabilities whatsoever shall accrue to or be incurred inter se the Parties or their respective shareholders or creditors or employees or any other Person, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or in accordance with Applicable Law and in such case, each Party shall bear its own costs, unless otherwise mutually agreed.

18. COSTS AND EXPENSES

All costs, charges, and expenses (including, but not limited to, any taxes and duties, registration charges, etc.) of the Parties, respectively in relation to carrying out, implementing, and completing the terms and provisions of this Scheme and/ or incidental to the completion of this Scheme shall be borne and paid by the Resulting Company.

19. SAVING OF CONCLUDED TRANSACTIONS

Nothing in this Scheme shall affect any transaction or proceedings already concluded or liabilities incurred by Demerged Company (with respect to the Demerged Undertaking), until the Appointed Date, to the end and intent that the Resulting Company, shall accept and adopt all acts, deeds and things done and executed by Demerged Company (with respect to the Demerged Undertaking) in respect thereto as done and executed on behalf of the Resulting Company.
