

**COMPOSITE SCHEME OF ARRANGEMENT AND AMALGAMATION
BETWEEN
KIRLOSKAR BROTHERS INVESTMENTS LIMITED
AND
PNEUMATIC HOLDINGS LIMITED
AND
KIRLOSKAR OIL ENGINES LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

This Composite Scheme of Arrangement and Amalgamation is presented under Section 391 to Section 394 read with Section 100 to 105 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 1956, and the Companies Act, 2013, if any for:

- (a) Demerger of "Undertaking consisting mainly of travel services business done by Kirloskar Brothers Investments Limited in its own name and Silk Business and Compression Systems and Transmission Products Business done through its subsidiaries" into Pneumatic Holdings Limited.
- (b) Amalgamation of Residual Undertaking of Kirloskar Brothers Investments Limited with Kirloskar Oil Engines Limited.

This Scheme is divided into the following parts –

Part	Particulars
I	Background, Rationale, Definitions and Share Capital.
II	Demerger of "Undertaking consisting mainly of travel services business done by Kirloskar Brothers Investments Limited in its own name and Silk Business and Compression Systems and Transmission Products Business done through its subsidiaries" into Pneumatic Holdings Limited.
III	Amalgamation of Residual Undertaking of Kirloskar Brothers Investments Limited with Kirloskar Oil Engines Limited.
IV	General Terms and Conditions

PART I

BACKGROUND, RATIONALE, DEFINITIONS AND SHARE CAPITAL

1. BACKGROUND

Kirloskar Brothers Investments Limited was incorporated on 16th April, 2009, under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number (CIN) of Kirloskar Brothers Investments Limited is L65999PN2009PLC133794. The registered office of Kirloskar Brothers

Investments Limited is situated at 13/A, Karve Road, Kothrud, Pune 411 038. The main object of the company is to make strategic investments in Kirloskar Group Companies.

Pneumatic Holdings Limited was incorporated on 16th September 2014, under the Companies Act, 2013, in the State of Maharashtra. The Corporate Identity Number (CIN) of Pneumatic Holdings Limited is U65993PL2014PLC152566. The registered office of Pneumatic Holdings Limited is situated at Survey No. 13, 156, Kothrud, Pune 411 029. The main object of the Company is to make strategic investments in the Kirloskar Group Companies and travel services.

Kirloskar Oil Engines Limited was incorporated on 12th January, 2009, under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number (CIN) of Kirloskar Oil Engines Limited is L29120PN2009PLC133351. The registered office of Kirloskar Oil Engines Limited is situated at Laxmanrao Kirloskar Road, Khadki, Pune 411 003. Kirloskar Oil Engines Limited is in the business of manufacturing and selling of diesel engines, agricultural pumpsets and generating sets.

2. RATIONALE OF THE SCHEME

It is proposed to demerge the Travel Services Undertaking alongwith various investments of Kirloskar Brothers Investments Limited ("KBIL") into Pneumatic Holdings Limited ("PHL") and merge the residual KBIL with Kirloskar Oil Engines Limited ("KOEL") by this Scheme, as a result of which the shareholders of KBIL shall directly hold shares in PHL and KOEL and the following benefits shall, inter-alia, accrue to the shareholders and stakeholders of KBIL -

2.1 As KBIL has several commercial activities/businesses (held through its various investments) which are distinct and diverse from each other, the demerger will ensure focused management attention and resources and skill set allocation.

2.2 Pursuant to the Scheme, all the shareholders of KBIL will get shares in PHL and KOEL and there would be no change in economic interest for any of the shareholder of KBIL pre and post Scheme.

2.3 The Scheme will provide greater flexibility to the shareholders of KBIL.

3. DEFINITIONS

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

3.1 "Act" or "The Act" means the Companies Act, 1956 and rules made thereunder and any corresponding provisions of the Companies Act, 2013,

(as notified from time to time) and shall include any other statutory modifications or re-enactments thereof for the time being in force.

3.2 **"KBIL" or "The Demerged Company" or "The Transferor Company"** means Kirloskar Brothers Investments Limited, a company incorporated under the Companies Act, 1956, and having its registered office at 13/A, Karve Road, Kothrud, Pune 411 038.

3.3 **"PHL" or "The Resulting Company"** means Pneumatic Holdings Limited, a company incorporated under the Companies Act, 2013, as a 100% subsidiary of KBIL, and having its registered office at Survey No. 13, 156, Kothrud, Pune 411 029.

3.4 **"KOEL" or "The Transferee Company"** means Kirloskar Oil Engines Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Laxmanrao Kirloskar Road, Khadki, Pune 411 003.

3.5 **"Appointed Date"** shall be 1st April, 2015.

3.6 **"Effective Date"** shall be the last date on which certified/authenticated copies of the order of jurisdictional court sanctioning this Scheme are filed with the Registrar of Companies, Pune, Maharashtra.

3.7 **"High Court"** shall mean the High Court of Judicature at Bombay. In the event of the National Company Law Tribunal (hereinafter referred to as **"the Tribunal"**) is constituted by the Central Government by a Notification in the Official Gazette and the proceedings initiated under Sections 391-394 of the Companies Act, 1956, relating to this Scheme are transferred to the Tribunal, the words **"High Court"** shall deem to mean and include the Tribunal, as the context may require.

3.8 **"Scheme" or "the Scheme" or "this Scheme"** means this Composite Scheme of Arrangement and Amalgamation in its present form as submitted to the Hon'ble High Court or this Scheme with such modification(s), if any, including those as approved, imposed or directed by the Hon'ble High Court and accepted by the Parties hereto.

3.9 **"Demerged Undertaking"** means "Undertaking consisting mainly of travel services business done by KBIL in its own name, Silk Business and Compression Systems and Transmission Products Business done through its subsidiaries" and shall include (without limitation):

3.9.1 All assets including properties of and required for travel services business and investments in businesses done through KBIL and its subsidiaries except KOEL, wherever situated, whether movable or *immovable, tangible or intangible, in possession or reversion,*

Substituted
vide order
dated 30th
April, 2015

including investments held by the Demerged Company in Kirloskar Pneumatic Company Limited, Nashik Silk Industries Limited, Kirloskar Kenya Limited, Kirloskar Industries Limited and Kirloskar Investments & Finance Limited, receivables and security receipts, all cash and bank balances (including cash and bank balances deposited with any banks or entities), money at call and short notice, loans, advances, contingent rights or benefits, reserves, provisions, funds, benefits of all agreements, bonds, debentures, debenture stock, units or pass through certificates, offices including marketing offices and liaison offices, branches, work-in-progress, current assets (including inventories, sundry debtors, bills of exchange, loans and advances), vehicles, furniture, fixtures, share of any joint assets, and other facilities in connection with or relating to the travel services and other businesses and other assets (hereinafter referred to as "the said Assets");

3.9.2 All the debts, liabilities, contingent liabilities, duties, obligations and guarantees of the Demerged Undertaking as on the Appointed Date (hereinafter referred to as "the said Liabilities");

3.9.3 Without prejudice to the generality of sub-clauses 3.9.1 and 3.9.2 above, the Demerged Undertaking, shall also include the Reserve of Demerged Company namely Reserve Fund created in terms of Section 45IC of the Reserve Bank of India Act, 1934, movable and immovable properties if any and other rights arising out of vehicle lease agreements, including leave and license agreements, powers, authorities, allotments, approvals and consents, registrations, contracts, engagements, agreements, arrangements, titles, interest, benefits, tenancy rights, authorizations, quota rights, trademarks, patents, earnest money and /or security deposits, telephones, telex, facsimile and other communication facilities and equipment, rights and benefits of all agreements and all other interests, rights and powers of every kind, nature and description whatsoever, privileges, liberties, easements, advantages, benefits and approvals and all books of accounts, documents, records and all other assets relating to the Demerged Undertaking as identified and approved by the Board on the Appointed Date except those related to the remaining businesses of KBIL;

3.9.4 Employees, if any, engaged by KBIL with respect to Demerged Undertaking; and



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

- i. Liabilities which directly and specifically arise out of the activities or operations of the Demerged Undertaking;
- ii. Liabilities both present and contingent;
- iii. Specific loans and borrowings raised, if any, incurred and utilized solely for the activities or operations of the Demerged Undertaking;
- iv. Liabilities other than those referred to in (i) or (ii) or (iii) above, i.e. the amounts of general or multi-purpose borrowings of KBIL allocated to the Demerged Undertaking in proportion as identified by the management on the Appointed Date, however, the same without detriment to the security for such borrowings to the lenders as it existed before the Scheme coming into effect.

Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Demerged Undertaking or whether it arises out of the activities or operations of the Demerged Undertaking or not will be decided by mutual agreement between the Board of Directors of KBIL and PHL.

3.10 "Remaining Business" or "Residual Undertaking" means all the remaining undertaking, businesses, activities, operations, assets (primarily consisting of investments in KOEL and liabilities of KBIL, other than those comprised in the Demerged Undertaking as defined in Clause 3.9 hereof, and shall include (without limitation):

3.10.1 All the assets and properties (whether movable or immovable, tangible or intangible) of the Residual Undertaking as on the Appointed Date (hereinafter referred to as 'the said Assets');

3.10.2 All debts, liabilities, duties and obligations of the Residual Undertaking, as on the Appointed Date (hereinafter referred to as 'the said Liabilities') and

3.10.3 Without prejudice to the generality of sub-clause 3.10.1 and 3.10.2 above the Residual Undertaking shall include all the assets including claims, powers, authorities, allotments, approvals, consents, registrations, contracts, enactments, arrangements, rights, titles, interest, benefits, advantages, lease-hold rights and systems of any kind whatsoever, trademarks, patents and other industrial and intellectual properties, including any applications filed by KBIL for securing of any intellectual property rights, any additions thereto or alterations thereof,

whether in India or abroad, rights and benefits of all agreements and other interests including rights and benefits under various schemes of different taxation laws as may belong to or be available to the Residual Undertaking, rights and powers of every kind, nature and description of whatsoever probabilities, liberties, easements, advantages, and approval of, whatsoever nature and wherever situated, belonging to or in ownership, power or possession or control or entitlement of the Residual Undertaking, if any.

3.11 "Record Date" or "Specified Date" means the date to be fixed by the Board of Directors of the KBIL for the purpose of determining the members of KBIL to whom shares of the PHL and KOEL will be allotted pursuant to the Scheme.

4 SHARE CAPITAL

4.1 The share capital of KBIL as on the latest balance sheet date i.e. 31st March, 2014, is as follows:

Particulars	Amt In Rs.
Authorized :	
140,00,000 Equity Shares of Rs.10/- each	14,00,00,000
Total	14,00,00,000
Issued, Subscribed and Paid –Up:-	
52,88,718 Equity Shares of Rs.10/- each	5,28,87,180
Total	5,28,87,180



There is no change in share capital of KBIL till date. The equity shares of KBIL are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

4.2 The Share Capital of PHL as on the date of incorporation i.e.16 September 2014 is as under:

Particulars	Amt in Rs.
Authorised Share Capital	
20,00,000 Equity Shares of Rs.10/- each	2,00,00,000
TOTAL	2,00,00,000
Issued, Subscribed and Paid up:	
20,00,000 Equity Shares of Rs.10/- each	2,00,00,000
TOTAL	2,00,00,000

The entire share capital of PHL is held by KBIL and its nominees and hence PHL is wholly owned subsidiary of KBIL.

- 4.3 The Share Capital of KOEL as on the latest Balance Sheet date i.e. 31st March, 2014, is as under:

Particulars	Amt In Rs
Authorized :	
20,00,00,000 Equity Shares of Rs. 2/- each	40,00,00,000
Total	40,00,00,000
Issued and Subscribed:	
14,46,14,326 Equity Shares of Rs. 2/- each	28,92,28,652
Subscribed and Fully Paid-Up:	
14,46,13,861 Equity Shares of Rs.2/- each	28,92,27,722
Share Capital Suspense Account	
465 Equity Shares of Rs.2/- each	930
Total	28,92,28,652

There is no change in share capital of KOEL till date. KBIL holds 8,03,88,514 Equity Shares in KOEL. The equity shares of KOEL are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

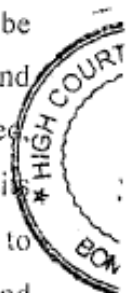
PART II

DEMERGER OF "UNDERTAKING CONSISTING MAINLY OF TRAVEL SERVICES BUSINESS DONE BY KIRLOSKAR BROTHERS INVESTMENTS LIMITED IN ITS OWN NAME AND SILK BUSINESS AND COMPRESSION SYSTEMS AND TRANSMISSION PRODUCTS BUSINESS DONE THROUGH ITS SUBSIDIARIES," INTO PNEUMATIC HOLDINGS LIMITED

5 TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING.

- 5.1 Upon the Scheme becoming effective, pursuant to the provisions of Sections 391-394 and other relevant provisions of the Act and the Scheme, the whole of the Demerged Undertaking as on the Appointed Date shall be demerged from KBIL and be transferred to and shall vest in or be deemed to have been transferred to and vested in PHL as a going concern without any further act, instrument or deed (save as provided in Clause 5.2 below) so as to become as and from the Appointed Date, the assets and liabilities of PHL in accordance with Section 2 (19AA) of the Income Tax Act, 1961.
- 5.2 The transfer of movable assets of the Demerged Undertaking shall be effected as follows:

- 5.2.1 All movable assets including cash and bank balance to the extent remaining after adjusting balance transferrable to KOEL for expenses, cheques, bills of exchange, promissory notes and other negotiable instruments, documents of title to goods or properties, of KBIL pertaining or relatable to the Demerged Undertaking capable of passing by manual delivery or by endorsement and delivery shall be so delivered or endorsed and delivered, as the case may be, to PHL. Such delivery, transfer and endorsement shall be made on a date mutually agreed upon between the Board of Directors of KBIL and the Board of Directors of PHL.
- 5.2.2 In respect of movable assets other than those specified in 5.2.1 above, including sundry debtors, 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 Government, Semi Government, local and other authorities and bodies, customers and other persons, the following modus operandi shall to the extent possible, be followed, that is to say KBIL and PHL shall jointly or severally, as may be decided by them, give notice in such form as they may deem fit and proper, that pursuant to the Hon'ble High Court having sanctioned inter alia, this Scheme, the said debts, loans, advances or deposits pertaining to the Demerged Undertaking be paid and/or made good to or be held on account of KBIL as the person entitled thereto to the end and intent that the right of KBIL to recover or realize the same stands transferred and assigned to PHL and that appropriate entry shall be made in the books of account of KBIL and PHL to record the aforesaid change.
- 5.3 Upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Demerged Undertaking shall also under the provisions of Section 391 read with Section 394 of the Act, without any further act or deed, be transferred to or be deemed to be transferred to PHL so as to become as from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of PHL and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen, in order to give effect to the provisions of this Sub-clause.



5.4 The transfer and vesting of the Demerged Undertaking as aforesaid shall be subject to the existing and other security interests, charges, mortgages, if any, subsisting over or in respect of the property and assets or any part thereof relating to the Demerged Undertaking. Provided however, any reference (in any security document or arrangement to which KBIL is a party) to the properties and assets of the Demerged Undertaking as the case may be, offered or agreed to be offered as security for any financial assistance or obligations, shall be construed as reference only to those of the Demerged Undertaking which are vested in PHL, by virtue of the aforesaid clauses to the end and intent that such security interests, charges and mortgages shall not extend or be deemed to extend to any of the other assets of PHL unless specifically agreed to by PHL with such secured creditors. Provided also that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Demerged Undertaking and PHL shall not be obliged to create any further or additional security after this Scheme becomes operative.

5.5 In so far as any properties and assets comprised in the Demerged Undertaking are offered as security for any liabilities relating to the Remaining Business then to that extent such security shall, without any further act, instrument or deed, be modified to extend to and operate only against the properties and assets relating to the Remaining Business and the properties and assets of the Demerged Undertaking shall stand released and discharged from such security subject to the confirmation from the lenders.

5.6 In so far as any properties and assets relating to the Remaining Business are offered as security for any liabilities forming part of the Demerged Undertaking then to that extent such security shall, without any further act, instrument or deed, be modified to extend to and operate only against the properties and assets relating to the Demerged Undertaking and the properties and assets relating to the Remaining Business shall stand released and discharged from such security.

6 CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments entered into by KBIL, if any, of whatsoever nature and relating only to the Demerged Undertaking subsisting or being in force on the Effective Date, shall be in full force and effect against or in favour of PHL, as the case may be, and may be enforced by or against PHL as fully and effectually as if, instead of KBIL, PHL, had been a party thereto from inception. PHL shall enter into and/or issue and/or execute deeds, writings or

confirmations or enter into any arrangements, confirmations or novations, in order to give formal effect to the provisions of this Scheme. PHL shall be deemed to be authorised to execute any deeds, writings or confirmations on behalf of KBIL and to implement or carry out all formalities required on the part of KBIL to give effect to the provisions of this Part II of the Scheme.

7 LEGAL PROCEEDINGS

- 7.1 All legal proceedings of whatsoever nature by or against KBIL pending and/or arising upon the Scheme becoming effective relating only to the Demerged Undertaking of KBIL, as and from the Effective Date, shall be continued and enforced by or against PHL in the manner and to the same extent as would or might have been continued and enforced by or against KBIL.
- 7.2 Upon the Scheme becoming effective, if any proceedings are taken against KBIL or its successor in respect of the matters referred to in sub-clause 7.1 above, it shall defend the same at the cost of PHL and PHL shall reimburse and indemnify KBIL or its successor against all liabilities and obligations incurred by KBIL or its successor in respect thereof. PHL undertakes to have all legal or other proceedings initiated by or against KBIL referred to in sub-clause 7.1 above, transferred into its name and to have the same continued, prosecuted and enforced by or against PHL to the exclusion of KBIL or its successor.

8 EMPLOYEES:

- 8.1 On the Scheme becoming effective, all employees relatable to the Demerged Undertaking and in direct service of the Demerged Company specifically on the Effective Date shall be deemed to have become employees of PHL without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with PHL shall not be less favorable than those applicable to them with reference to KBIL immediately preceding the transfer.
- 8.2 As far as the Provident Fund, Gratuity Fund, Superannuation Fund or any other special fund created or existing for the benefit of such permanent employees of the Demerged Undertaking are concerned, on and from the Effective Date, PHL shall stand substituted for KBIL for all the purposes whatsoever related to administration or operation of such Funds in accordance with provisions of such Funds according to the terms provided in the respective trust deeds or other documents. *It is clarified that the services of such permanent employees of the Demerged Undertaking will be treated*

as having been continuous and not interrupted for the purposes of such Funds.

9 BOARD OF DIRECTORS

All the Directors of KBIL shall be the Directors of PHL.

~~10 ALTERATION OF AUTHORIZED CAPITAL OF THE DEMERGED COMPANY AND RESULTING COMPANY~~

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dated 30th
April, 2015

10.1—

- ~~i. Upon the Scheme becoming effective, out of the Authorised Capital of KBIL of Rs. 14,00,00,000 (Fourteen Crores only) divided into 1,40,00,000 shares of Rs.10 Each, Authorised Capital of Rs. 8,00,00,000 (Eight Crores only) divided into 80,00,000 shares of Rs. 10 Each will be transferred to PHL, which is in excess of needs of KBIL as the same is being merged with KOEL as provided for in Part III of this scheme.~~
- ~~ii. The Authorised Share Capital of KBIL shall be reorganized and shall be Rs.6,00,00,000/- (Rupees Six Crores only) divided into 60,00,000 equity shares of Rs.10/- each and the Subscribed, Issued and Paid-up capital shall continue to comprise of 52,88,718 equity shares of Rs.10/- each aggregating to Rs. 5,28,87,180 (Rupees Five Crores Twenty Eight Lakhs Eighty Seven Thousand One Hundred Eighty Only).~~
- ~~iii. The following clause in the Memorandum of Association of KBIL shall stand amended to read as under:~~

~~Clause V (a) of the Memorandum of Association~~

~~"The Authorised Share Capital of the Company is Rs. 6,00,00,000 (Rupees Six Crores only) divided into 60,00,000 Equity Shares of Rs.10/- each with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes, and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such right, privilege or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Association of the Company."~~

- ~~iv. The following Article in the Articles of Association of KBIL shall stand amended to read as under:~~

~~Article 7 of the Articles of Association~~

~~"The Authorised Share Capital of the Company is Rs. 6,00,00,000 (Rupees Six Crores only) divided into 60,00,000 Equity Shares of Rs.10/- each with power to increase, consolidate, sub-divide, cancel and/or reduce the capital~~



~~of the Company and to issue any of these shares in the capital, original or increased, with or subject to any rights or conditions as regards dividend, repayment of capital or otherwise in accordance with the Company's regulations and the provisions of the said Act. The Company shall have power to convert fully paid-up shares into stock and to reconvert stock into shares. The Company shall have power to issue equity shares with differential rights as to dividend, voting or otherwise, in accordance with such rules and subject to such conditions as may be prescribed, from time to time, by the Government of India. The share(s) in the capital of the Company, for the time being, whether original or increased, may be divided into several classes, with any preferential, qualified or other special rights, privileges, conditions or restrictions attached thereto, whether in regards to dividend, voting, return of capital or otherwise. The Company shall have power to issue redeemable preference shares, if and whenever the capital of the Company is divided into shares of different classes, rights of any class may, subject to the provisions of Sections 106 and 107 of the said Act and whether or not the Company is being wound up, be varied, modified, affected, extended, abrogated or surrendered with the consent in writing of the holders of three-fourth of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class."~~



~~10.2~~

- ~~i. Upon the Scheme becoming effective and after transfer of Authorised Capital of the Demerged Company to the Resulting Company as aforesaid in Clause 10.1 of this Scheme, the Authorised Share Capital of the Resulting Company shall automatically stand increased without any further act on the part of the Resulting Company including payment of stamp duty and registration fees payable to the Registrar of Companies, by clubbing the Authorised Share Capital of the Demerged Company as transferred, which is Rs. 8,00,00,000 (Rupees Eight Crores only) divided into 80,00,000 Equity shares of Rs. 10/- each.~~
- ~~ii. Consequent to the transfer of the Authorised Share Capital of the Demerged Company to the Resulting Company, the Authorised Share Capital of the Resulting Company shall be increased to Rs. 10,00,00,000 (Rupees Ten Crores only) which shall be divided into 1,00,00,000 Equity Shares of Rs. 10/- each.~~

~~iii. The resolution approving the Scheme shall be deemed to be the approval of increase in the Authorised Share Capital of the Resulting Company under Section 61 and other applicable provisions of the Companies Act, 2013. The Clauses/Articles in the Memorandum and/or Articles of the Resulting Company shall stand amended.~~

~~10.3 Pursuant to this Scheme, the Demerged Company and Resulting Company shall file the requisite forms with the Registrar of Companies for alteration of its authorised share capital.~~

11 ISSUE OF SHARES:

11.1 Upon transfer of the Demerged Undertaking into PHL and the arrangement becoming effective in terms of the Scheme, PHL shall without any further application, issue and allot to the shareholders of KBIL, 1 (One) Equity Share of Rs.10/- (Rupees Ten) each credited as fully paid-up in the capital of PHL to the Equity Shareholders of KBIL whose names appear in the register of members of KBIL on the Record Date to be fixed by the Board of Directors of KBIL for every 1 (One) Equity Share of Rs. 10/- each fully paid up held by said Equity Shareholders in KBIL or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title, as the case may be.

11.2 Equity shares to be issued by PHL pursuant to Clause 11.1 of this Scheme, in respect of any equity shares of the Demerged Company held in abeyance, if any, under the provisions of Section 206A of the Act or otherwise, shall, pending allotment or settlement of dispute by order of Court or otherwise, be held by PHL in abeyance.

11.3 The shares issued by PHL to the members of KBIL pursuant to Clause 11.1 above shall be issued in dematerialised form, unless otherwise notified in writing by the shareholders of KBIL to PHL on or before such date as may be determined by the Board of Directors of KBIL thereof. In the event such notice has not been received by PHL in respect of any of the members of KBIL, the equity shares shall be issued to such members in dematerialised form provided that the members of KBIL 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 PHL has received notice from any of the members of KBIL that equity shares are to be issued in physical form or if any member of KBIL has not provided the requisite details relating to his/her/its account with a depository participant or other confirmations as may be required or if the details furnished by any member of KBIL do not permit electronic credit of the



shares of PHL, then PHL shall issue equity shares in physical form to such member(s) of KBIL.

- 11.4 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of KBIL, the Board of Directors of KBIL shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in KBIL 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 PHL issued by PHL after the effectiveness of this Scheme.
- 11.5 The New Equity Shares of PHL issued and allotted by PHL in terms of this Scheme shall be subject to the provisions of the Memorandum and Articles of Association of PHL and shall rank paripassu in all respects with the existing Equity Shares of PHL, with all rights thereto and shall be entitled to full dividend, if any, which may be declared by PHL after the Effective Date of the Scheme.
- 11.6 The issue and allotment of New Equity Shares in PHL to the shareholders of KBIL as provided in the Scheme as an integral part thereof, shall be deemed to have been carried out as if the procedure laid down under Section 62(1)(c) of the Companies Act, 2013 and any other applicable provisions of the Act.
- 11.7 Equity Shares of PHL issued in terms of Clause 11.1 of this Scheme will be listed and/or admitted to trading on BSE and NSE, where the shares of KBIL are listed and / or admitted to trading in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. PHL shall enter into such arrangements and give such confirmations and / or undertakings 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.
- 11.8 The Equity Shares allotted pursuant to this Scheme shall remain frozen in the depositories system till listing / trading permission is given.
- 11.9 There will be no change in the shareholding pattern or control in PHL between the record date and the listing which may affect the basis on which approval is received from the Stock Exchanges.



12 REDUCTION OF THE EXISTING EQUITY SHARE CAPITAL OF PHL

- 12.1. Upon the Scheme becoming effective and upon the issue of shares by PHL in accordance with Clause 11 above, the existing capital of Rs. 2,00,00,000 (Two Crores only) divided into 20,00,000 Equity Shares of Rs.10/- each of PHL held by KBIL and its nominees as on the Record Date shall, without any application or deed, stand reduced and cancelled without any payment.
- 12.2. The amount of equity share capital of PHL so reduced pursuant to clause 12.1 above shall be credited to Capital Reserve Account in the books of PHL.
- 12.3. The cancellation of the existing equity shares of Rs.10/- each amounting to Rs. 2,00,00,000 (Two Crores Only) of PHL as mentioned in Clause 12.1 above shall be effected as an integral part of this Scheme without having to follow the process under Sections 100 to 103 of the Act separately and the Order of the Hon'ble 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 hence the provisions of Section 101 of the Act will not be applicable. Further, PHL shall not be required to add the words "and reduced" as a suffix to its name consequent upon such reduction.

13 ACCOUNTING TREATMENT

- 13.1. KBIL shall, upon coming into effect of the Scheme and on account of the demerger of the Demerged Undertaking into PHL, reduce book value of assets and liabilities as on the close of business of the day immediately preceding the Appointed Date pertaining to the Demerged Undertaking and reduce Reserve Fund created under Section 45IC of Reserve Bank of India Act, 1934.
- 13.2. The difference between the value of assets, liabilities and reserve mentioned in Clause 13.1 above shall be first adjusted against the balance in General Reserve Account of KBIL and balance, if any, after adjustment, will be further adjusted against the balance in Profit & Loss Account of KBIL. The balance of General Reserve Account and Profit & Loss Account as the case may be shall stand reduced to that extent.
- 13.3. Investments of KBIL in share capital of PHL shall stand cancelled on effective date and the same shall be adjusted to balance in the General Reserve Account or Profit & Loss Account of KBIL.
- 13.4. PHL shall upon the demerger becoming effective record all the assets, liabilities and reserve mentioned in Clause 13.1 above relating to the

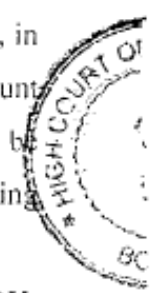
Demerged Undertaking vested in it pursuant to this Scheme at the values as appearing in the books of KBIL at the close of business of the day immediately preceding the Appointed Date.

- 13.5. PHL shall credit its Share Capital Account with the aggregate face value of the Equity Shares issued to the shareholders of KBIL pursuant to Clause 11 of the Scheme.
- 13.6. The excess or deficit, if any, remaining after recording the aforesaid entries shall be credited by the PHL to its General Reserve Account or debited to Goodwill, as the case may be. General Reserve created, if any, shall be treated, for all purposes including distribution of dividend as free reserve.
- 13.7. In case of any difference in the accounting policies of KBIL and PHL, the impact of the same will be quantified and adjusted in the Revenue Reserve(s) if any or Profit and Loss Account of PHL to ensure that the Financial Statements of PHL reflect the financial position on the basis of consistent accounting policy.
- 13.8. Notwithstanding the above, the Board of Directors of the KBIL and PHL, in consultation with respective statutory auditors, is authorised to (a) account any of these or other balances or items in any manner whatsoever, as may be deemed fit or (b) to make such adjustments as may be necessitated including reclassification of assets.

14 CONDUCT OF BUSINESS OF DEMERGED UNDERTAKING BY KBIL TILL EFFECTIVE DATE

With effect from the date of approval of the Scheme by the Board and upto and including the Effective Date:

- 14.1. KBIL shall carry on its business and activities relating to the Demerged Undertaking and undertakes to hold the assets with utmost prudence until the Effective Date.
- 14.2. As and from the date of acceptance of this Scheme by the Board of Directors of KBIL and till the Effective Date, KBIL shall not alienate, charge, mortgage, encumber or otherwise deal with the assets of the Demerged Undertaking or any part thereof without the prior written concurrence of the Board of Directors of PHL except in the normal course of business.
- 14.3. KBIL 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 or rules, for such consents, approvals and sanctions, which PHL may require pursuant to this Scheme.



15 SAVING OF CONCLUDED TRANSACTIONS & PROCEEDINGS

The transfer of and vesting of the Demerged Undertaking as per this Scheme and the continuance of proceedings by or against PHL shall not affect any transaction or proceedings already concluded by KBIL in respect of the Demerged Undertaking on or after the date of approval of the Scheme by the Board till the Effective Date, to the end and intent that PHL accepts and adopts all acts, deeds and things done and executed by KBIL in respect thereto as done and executed on behalf of itself.

16 TAXES AND DUTIES

16.1 All indirect taxes paid by KBIL which is relating to demerged undertaking shall for all the purposes be treated as the taxes, liabilities or refunds and claims for Demerged Undertaking and PHL shall take the credit for all taxes, liabilities or refunds and claims.

16.2 The Resulting Company shall be entitled to file / revise its service tax returns, value added tax returns, central sales tax returns, tax deducted at source certificates, tax deducted at source returns and other statutory returns and filings, if required under the Tax Laws, and shall have the right to claim or adjust refunds, advance tax credits, tax deducted at source / foreign taxes withheld/ paid, input tax credits etc. if any, as may be required consequent to implementation of this Scheme.

17 INCOME TAX COMPLIANCE

The Scheme is drawn in compliance with Section 2(19AA) of the Income Tax Act, 1961 pertaining to demerger and always should be read as in compliance of the said Section.

PART III

AMALGAMATION OF RESIDUAL UNDERTAKING OF KIRLOSKAR BROTHERS INVESTMENTS LIMITED WITH KIRLOSKAR OIL ENGINES LIMITED

18 TRANSFER OF RESIDUAL UNDERTAKING:

The Residual Undertaking of the Transferor Company shall be transferred to and vested in or be deemed to be transferred to and vested in the Transferee Company in the following manner:

18.1 Upon the Scheme becoming effective (after Part - II of the Scheme has taken effect), the whole of the Residual Undertaking of the Transferor Company comprising of all properties and assets (whether movable or immovable, tangible or intangible) of whatsoever nature and wheresoever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further

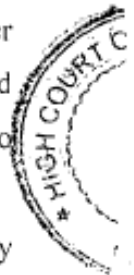
act or deed (save as provided in clauses 18.2 and 18.3 below), be transferred to and vested in and/or be deemed to be transferred to and vested in the Transferee Company as a going concern so as to become as from the Appointed Date the undertaking and assets of the Transferee Company and to vest in the Transferee Company all the rights, title, interest or obligations of the Transferor Company therein.

18.2 All the movable assets including cash and bank balance, of the Residual Undertaking, capable of passing by manual delivery or by endorsement and delivery, shall be so delivered or endorsed and delivered, as the case may be, to the Transferee Company. Such delivery shall be made on a date mutually agreed upon between the Board of Directors of the Transferor Company and the Board of Directors of the Transferee Company within reasonable time from the Effective Date.

18.3 In respect of movables other than those specified in sub-clause 18.2 above, including sundry debtors, 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 Government, Semi-Government, local and other authorities and bodies, customers and other persons in India and beyond India, the following modus operandi for intimating to third parties shall to the extent possible be followed:

18.3.1 The Transferee Company shall give notice in such form as it may deem fit and proper, to each person, debtor or depositor as the case may be, that pursuant to the Hon'ble High Court having sanctioned the Scheme between the Transferor Company and the Transferee Company, the said debt, loan, advance or deposit be paid or made good or held on account of the Transferee Company as the person entitled thereto to the end and intent that the right of the Transferor Company to recover or realize the same stands extinguished and that appropriate entry should be passed in its books to record the aforesaid change.

18.3.2 The Transferor Company shall also give notice in such form as they may deem fit and proper to each person, debtor or depositor that pursuant to the Hon'ble High Court having sanctioned this Scheme, the said debt, loan, advance or deposit be paid or made good or held on account of the Transferee Company and that the right of the Transferor Company to recover or realise the same stands extinguished.



18.4 Upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Transferor Company shall also, under the provisions of Section 391 read with Section 394 of the Act, without any further act or deed, be transferred to or be deemed to be transferred to the Transferee Company so as to become as from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of the Transferee Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen, in order to give effect to the provisions of this Sub-clause.

18.5 It is clarified that the Scheme shall not in any manner affect the rights and interest of the creditors, if any, of the Transferor Company or be deemed to be prejudicial to their interests.

18.6 All assets of the Residual Undertaking would be available to the Transferee Company from the Effective Date.

18.7 The registrations in the name of the Transferor Company, which are transferable in nature, shall be deemed to be transferred in the name of the Transferee Company from the Effective Date and the Transferee Company shall give requisite intimations for this purpose to all concerned.

18.8 In case of registrations in the name of the Transferor Company, other than the registrations mentioned above, the Transferee Company may make a fresh application to the appropriate authorities to procure the same, by complying with the requisite laws or regulations.

18.9 The transfer and vesting of all the assets of the Transferor Company, as aforesaid, shall be subject to the existing debts, duties, liabilities, charges, mortgages and encumbrances, if any, over or in respect of any of the assets or any part thereof of the Transferor Company, provided however, any reference in any security documents or arrangements (to which any of the Transferor Company is a party) to the assets of the Transferor Company offered or agreed to be offered as security for any financial assistance or obligations shall be construed as reference only to the assets pertaining to the Residual Undertaking of the Transferor Company as are vested in the Transferee Company by virtue of the aforesaid Clauses, to the end and intent that such security, charge and mortgage shall not extend or be deemed to extend, to any of the other assets of the Transferor Company or any of the assets of the Transferee Company, provided further that the securities, charges and mortgages (if any subsisting) over and in respect of the assets



or any part thereof of the Transferee Company shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges or mortgages to the end and intent that such securities, charges and mortgages shall not extend or be deemed to extend, to any of the assets of the Transferor Company vested in the Transferee Company. Provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Transferor Company which shall vest in the Transferee Company by virtue of the merger of the Transferor Company with the Transferee Company and the Transferee Company shall not be obliged to create any further or additional security therefor after the merger has become operative.

18.10 Loans or other obligations, if any, due between or amongst the Transferor Company and the Transferee Company shall stand discharged and there shall be no liability in that behalf. In so far as any securities, debentures or notes issued by the Transferor Company, and held by the Transferee Company and vice versa are concerned the same shall, unless sold or transferred by the Transferor Company or the Transferee Company, as the case may be, at any time prior to the effective date, stand cancelled as on the effective date, and shall have no effect and the Transferor Company, as the case may be, shall have no further obligation outstanding in that behalf.

18.11 Upon the Scheme coming into effect, the borrowing limits of the Transferee Company in terms of Section 180(1)(c) of the Companies Act, 2013, shall without any further act or deed, stand enhanced by an amount equivalent to the authorised borrowing limits of the Transferor Company where applicable, such limits being incremental to the existing limits of the Transferee Company. The Transferee Company may thereafter increase these limits as enhanced from time to time by obtaining sanction from its shareholders in accordance with the provisions of the Act.

19 CONTRACTS, DEEDS AND OTHER INSTRUMENTS

Subject to all the provisions of this Scheme, all contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature 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 having effect immediately before the Effective Date, shall be in full force and effect against or in favour of the Transferee Company as the case may be and may be enforced as fully and effectively as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto. The Transferee Company shall enter into and / or issue and / or execute deeds, writings or confirmations or enter into a



tripartite arrangement, confirmation or novation to which the Transferor Company will, if necessary, also be a party in order to give formal effect to this Clause if so required or become necessary.

20 LEGAL PROCEEDINGS

Upon the Scheme becoming effective but with effect from the Appointed Date, suit, writ petition, appeal, revision or other proceedings of whatever nature, if any (hereinafter called "the Proceedings") by or against the Transferor Company be pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer of the Undertaking of the Transferor Company or of anything contained in the Scheme, but the proceedings may be continued, prosecuted and enforced by or against the Transferee Company in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor Company as if the Scheme had not been made. In case any liability for payment arises out of the proceedings relating to Demerged Undertaking, Transferee Company will get indemnified from Resulting Company.

21 CONDUCT OF BUSINESS OF RESIDUAL UNDERTAKING BY KBIL TILL EFFECTIVE DATE

With effect from the date of approval of the Scheme by the Board and upto and including the Effective Date:

21.1 KBIL shall be carrying on and shall carry on its business and activities relating to the Residual Undertaking and undertakes to hold the assets with utmost prudence until the Effective Date.

21.2 As and from the date of acceptance of this Scheme by the Board of Directors of the Transferor Company and till the Effective Date, the Transferor Company shall not alienate, charge, mortgage, encumber or otherwise deal with the assets of the Residual Undertaking or any part thereof without the prior written concurrence of the Board of Directors of the Transferee Company except in the normal course of business.

21.3 The Transferor 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 or rules, for such consents, approvals and sanctions, which the Transferee Company may require pursuant to this Scheme.

22 EMPLOYEES

22.1 All the remaining employees, if any, after implementation of part II of the Scheme of the Transferor Company in service on the Effective Date shall



become employees of the Transferee Company on such date without any break or interruption in service and on terms and conditions as to remuneration not less favourable than those subsisting with reference to the Transferor Company as on the said date.

- 22.2 It is provided that so far as the Provident Fund, or any other Special Scheme(s) / Fund(s), or similar benefits if any, created or existing for the benefit of the employees of the Transferor Company are concerned, upon the coming into effect of this Scheme, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever related to the administration or operation of such Schemes or Funds or in relation to the obligation to make contributions to the said Schemes / Funds in accordance with provisions of such Schemes / Funds as per the terms provided in the respective Trust Deeds, to the end and intent that all the rights, duties, powers and obligations of the Transferor Company in relation to such Schemes / Funds shall become those of the Transferee Company. It is clarified that the services of the employees of the Transferor Company will be treated as having been continuous for the purpose of the aforesaid Schemes / Funds.

23 ISSUE OF SHARES BY THE TRANSFEE COMPANY

- 23.1 Upon the Scheme becoming effective and in consideration of the transfer and vesting of the undertaking of the Transferor Company into the Transferee Company in terms of the Scheme, the Transferee Company shall, without any further application or act or deed, issue and allot 76 (Seventy Six) Equity Shares of face value Rs.2/- (Rupees Two) each credited as fully paid-up in the capital of the Transferee Company to the Equity Shareholders of the Transferor Company whose names appear in register of members of the Transferor Company on the Record Date to be fixed by the Board of Directors of the Transferor Company for every 5 (Five) Equity Shares of face value Rs.10/- (Rupees Ten) each fully paid-up held by said Equity Shareholder in the Transferor Company or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title, as the case may be. Accordingly, the total number of shares issued by the Transferee Company will be 8,03,88,514 of Rs. 2/- each.
- 23.2 In case bonus share are issued by the Transferee Company after the date of approval of the scheme till the effective date, the share exchange ratio as mentioned in 23.1 above clause will be adjusted accordingly.
- 23.3 No fractional certificates shall be issued by the Transferee Company in respect of the fractional entitlements, if any, to which the equity shareholders of the



Transferor Company may be entitled. The Board of Directors of the Transferee Company shall instead consolidate all such fractional entitlements to which the shareholders of the Transferor Company may be entitled to, and shall without any further application, act, instrument or deed, issue and allot equity shares in lieu thereof to an individual trustee, board of trustees, or a corporate trustee (Trustee) who shall hold the same, with all additions or accretions thereto in trust for those entitled to the fractions and sell the same in the market at such price and at such time as the Trustee may deem fit at its sole discretion decide and distribute the net sale proceed to the all the equity shareholders of the Transferor Company entitled to the same in proportion to their fractional entitlements.

23.4 The New Equity Shares to be issued by Transferee Company pursuant to Clause 23.1 of this Scheme, in respect of any equity shares of the Transferor Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise, shall, pending allotment or settlement of dispute by order of Court or otherwise, be held by Transferee Company in abeyance.



23.5 The New Equity Shares to be issued and allotted by the Transferee Company will be subject to the Memorandum and Articles of Association of the Transferee Company and shall rank pari passu in all respects with the existing Equity Shares of the Transferee Company, with all rights thereto and shall be entitled to full dividend, if any, which may be declared by the Transferee Company after the Effective Date of the Scheme.

23.6 The New Equity Shares shall be issued in dematerialised form to those equity shareholders who hold shares of the Transferor Company in dematerialised form, provided all details relating to account with depository participant are available with the Transferee Company. All those equity shareholders who hold equity shares of the Transferor Company in physical form, shall be issued new equity shares in physical or electronic form, at the option of such shareholders to be exercised by them on or before the Record Date, by giving a notice in writing to the Transferee Company; and if such option is not exercised by such shareholders, the new equity shares shall be issued to them in physical form.

23.7 The issue and allotment of New Equity Shares in the Transferee Company to the shareholders of the Transferor Company as provided in the Scheme as an integral part thereof, shall be deemed to have been carried out as if the procedure laid down under Section 62(1) (c) of the Companies Act, 2013 and any other applicable provisions of the Act.

23.8 The New Equity Shares of the Transferor Company issued in terms of Clause 23.1 above, subject to applicable regulations, shall be listed and / or admitted to trading on BSE and NSE where the existing equity shares of Transferee Company are listed and / or admitted to trading.

23.9 The Transferee Company will make application for approval, if applicable or filings to Foreign Investment Promotion Board / Reserve Bank of India / authorized dealer or appropriate authority, for its approval under the provisions of the Foreign Exchange Management Act, 1999, for the issue and allotment of Equity Shares in the Transferee Company to non-resident shareholder of the Transferor Company in accordance with the provisions of the Scheme.

24 CANCELLATION OF EQUITY SHARES OF THE TRANSFEEE COMPANY.

24.1. Upon the Scheme becoming effective, the Equity Shares held by the Transferor Company in the Transferee Company shall stand cancelled and accordingly, the Paid-up Equity Share Capital of the Transferee Company shall stand reduced to that extent.

24.2. The cancellation and the consequent reduction of the share capital of the Transferee Company as provided in Clause 24.1 shall be done as an integral part of the Scheme and not in accordance with Section 100-101 of the Act as the same does not involve either diminution of liability in respect of any unpaid share capital or payment to any shareholder of any paid-up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction and the Transferee Company will not be required to add the words "And Reduced" after its name.

25 ACCOUNTING TREATMENT

25.1. The Transferee Company shall, upon the Scheme coming into effect, record all the assets, liabilities and reserves of the Transferor Company after giving effect to Part II of the Scheme vested in it pursuant to this Scheme, at the book values and in the same form as appearing in the books of the Transferor Company thereof at Appointed Date, in accordance with 'Pooling of Interest Method' laid down by Accounting Standard 14 (Accounting for Amalgamations) prescribed under Companies (Accounting Standards) Rules, 2006, issued by the Institute of Chartered Accountants of India.

25.2. The Transferee Company shall credit to its Share Capital Account the aggregate face value of the New Equity Shares issued and allotted pursuant to Clause 23 of this Scheme.

- 25.3. The difference between the value of New Equity Shares issued by the Transferee Company to the members of the Transferor Company and the value of Share Capital of the Transferor Company before the Scheme, shall be debited to Capital Reserve Account in the books of the Transferee Company.
- 25.4. The difference in the value of Investments of Transferor Company held in the shares of Transferee Company, after adjusting the face value pursuant to Clause 24.1, of the Scheme shall be adjusted against Reserves of the Transferee Company.
- 25.5. Balance in Capital Reserve shall be adjusted against the balance in General Reserve Account, taken over from the Transferor Company, in the books of Transferee Company.
- 25.6. Upon the Scheme coming into effect, to the extent, there are inter-
corporate loans or balances between the Transferor Company and the Transferee Company, the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of account and records of the Transferee Company for the reduction of any assets or liabilities, as the case may be. For the removal of doubts it is hereby clarified that there would be no accrual of interest or other charges in respect of any such inter-company loans or balances with effect from the Appointed Date.
- 25.7. In case of any difference in accounting policy between the Transferor Company and the Transferee Company, the impact of the same till the amalgamation will be quantified and adjusted in the General Reserve of the Transferee Company to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policies.
- 25.8. Notwithstanding the above, the Board of Directors of the Transferee Company, in consultation with its statutory auditors, is authorized to (a) account any of these or other balances or items in any manner whatsoever, as may be deemed fit or (b) to make such adjustments as may be necessitated including reclassification of assets.

26 TREATMENT OF TAXES

- 26.1 All taxes paid by the Transferor Company including credits available under the tax laws other than transferred as part of Demerged Undertaking as mentioned in clause 16 shall for all the purposes be treated as the taxes, liabilities or refunds and claims for Remaining Undertaking and the



Transferee Company shall take the credit for all taxes, liabilities or refunds and claims.

26.2 The Transferee Company shall be entitled to file / revise its income tax returns, service tax returns, value added tax returns, central sales tax returns, tax deducted at source certificates, tax deducted at source returns and other statutory returns and filings, if required under the Tax Laws, and shall have the right to claim or adjust refunds, advance tax credits, credit for minimum alternate tax / tax deducted at source / foreign taxes withheld / paid, input tax credits etc. if any, as may be required consequent to implementation of this Scheme.

27 DISSOLUTION OF TRANSFEROR COMPANY

On Effective Date the Transferor Company shall be dissolved without winding up under the Act.

28 COMBINATION AND RECLASSIFICATION OF AUTHORIZED CAPITAL

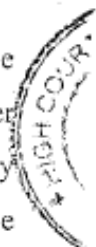
28.1 Upon the Scheme becoming effective the Authorised Share Capital of the Transferee Company shall automatically stand increased without any further act on the part of the Transferee Company including payment of stamp duty and registration fees payable to the Registrar of Companies, by clubbing the Authorised Share Capital of the Transferor Company which is Rs.14,00,00,000 (Rupees Fourteen Crores only) divided into 1,40,00,000 Equity shares of Rs. 10/- each.

Substituted
vide order
dated 30th
April, 2015

28.2 Consequent to the clubbing of the Authorised Share Capital of the Transferor Company with the Transferee Company, the Authorised Share Capital of the Transferee Company shall be increased to Rs. 54,00,00,000 (Rupees Fifty Four Crores only) which shall be reclassified and divided into 27,00,00,000 (Twenty Seven Crores) Equity Shares of Rs. 2/- each.

Substituted
vide order
dated 30th
April, 2015

28.3 The resolution approving the Scheme shall be deemed to be the approval of increase in the Authorised Share Capital of the Transferee Company under Section 61 and other applicable provisions of the Companies Act, 2013. Clause V of the Memorandum of Association and Article 6 of the Articles of Association of the Transferee Company relating to the Authorised Share Capital, shall without any further act, instrument be and stand altered, modified and amended pursuant to Sections 13, 14 and 61 of the Companies Act, 2013 and Section 394 of the Companies Act, 1956 and other applicable



provisions, as the case may be, in the manner set out below and be replaced as following:

Clause V of the Memorandum of Association

"The Authorised Share Capital of the Company is Rs. 54,00,00,000 (Rupees Fifty Four Crores only) divided into 27,00,00,000 (Twenty Seven Crores) Equity Shares of Rs. 2/- each. The Company has power from time to time to increase or reduce its capital and to divide the shares in the capital for the time being into several classes, and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such right, privilege or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Association of the Company."

Substituted
vide order
dated 30th
April, 2015

Article 6 of the Article of Association:

"The Authorised Share Capital of the Company is Rs. 54,00,00,000 (Rupees Fifty Four Crores only) divided into 27,00,00,000 (Twenty Seven Crores) Equity Shares of Rs. 2/- (Rupees Two Only) each."

Substitute
vide order
dated 30th
April, 201

PART IV

GENERAL TERMS AND CONDITIONS

DIVIDEND, PROFIT AND BONUS/RIGHTS SHARES

- 29.1 Notwithstanding anything contained contrary in part I, II or III, the Transferor Company and the Transferee Company shall be entitled to declare any dividends, whether interim or final, to their respective shareholders in respect of the accounting period prior to the effective date.
- 29.2 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 Company to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the respective Boards of Directors of the Transferor Company and the Transferee Company.
- 29.3 The Transferor Company shall not issue or allot any Bonus Shares or Rights Shares out of its Authorised or unissued Share Capital from the date of approval of the Scheme till effective date.
- 29.4 The Transferor Company shall not, except with the consent of the Board of Directors of the Transferee Company, alter its paid up capital structure by making preferential allotment of shares or otherwise, after the approval of the Scheme by the Board of Directors of the Transferee Company.



30 APPLICATION TO HIGH COURT OR SUCH OTHER COMPETENT AUTHORITY

KBIL, PHL and KOEL shall make applications / petitions under Sections 391 to 394 and other applicable provisions of the Act to the High Court of Bombay or such other appropriate authority in respect of KBIL, PHL and KOEL for sanction of this Scheme.

31 MODIFICATION OR AMENDMENTS TO THE SCHEME

KBIL, PHL and KOEL by their respective Directors so nominated in that behalf, may assent to any modification or amendment to this Scheme which the Court and/ or any other authority may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and / or carrying out the Scheme in the best interest of all stake holders. All amendment / modification pursuant to this clause shall be subject to approval of High Court. KBIL, PHL and KOEL by their respective Directors so nominated in that behalf be and are hereby authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and to resolve any doubts, difficulties or questions whether by reason of any orders of the Court or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and / or any matters concerning or connected therewith. For the removal of doubt, it is hereby clarified that withdrawal by any one of the Companies from the Scheme shall not prejudicially affect the implementation of the Scheme between the remaining party. In such a circumstance, the Scheme shall remain in full force and effect and be implemented by and between the remaining Companies as if the party withdrawing from the Scheme was never a party to the Scheme in that behalf.



32 DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein its present form or with any modifications and amendments made under Clause 30 of the Scheme shall become effective from the Appointed Date.

33 SCHEME CONDITIONAL ON APPROVAL / SANCTIONS

The Scheme is conditional upon and subject to the following:

33.1 The approval by the requisite majorities of the classes of persons of KBIL, PHL and KOEL as may be directed by the Hon'ble High Court under Section 391 of the Act.

33.2 The sanction of the Hon'ble High Court of Judicature at Bombay being obtained under Sections 391 and 394 read with Section 100 to 105 and

other relevant provisions of the Act, as required on behalf of the KBIL, PHL and KOEL from the Hon'ble High Court.

33.3 The requisite consents, approvals or permissions if any of the Government Authority or any other Statutory Agencies (including RBI) Stock Exchanges, SEBI which by law may be necessary for the implementation of this Scheme.

33.4 In terms of SEBI Circular dated 4th February 2013 bearing No.CIR/CFD/DIL/05/2013 and further Circular dated 21st May 2013 bearing No. CIR/CFD/DIL/8/2013 approval of shareholders of KBIL and KOEL shall be obtained by special resolution passed through postal ballot / e-voting after disclosure of all material facts in the explanatory statement in relation to such resolution and such resolution shall be acted upon only if the votes cast by public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it.

33.5 The Certified Copies or Authenticated Copies of such orders sanctioning the Scheme being filed with the Registrar of Companies, Pune.



All other sanctions and approvals as may be required under any law with regard to this Scheme are obtained.

34. EFFECT OF NON-RECEIPT OF APPROVALS

In the event of any of the said sanctions and approvals referred to in the preceding Clause 33 not being obtained and / or the Scheme not being sanctioned by the any of the Hon'ble High Courts or such other competent authority and / or the order or orders not being passed as aforesaid, or for any other reason, the Scheme cannot be implemented, the Scheme shall become null and void, and KBIL shall bear the entire cost, charges and expenses in connection with the Scheme unless otherwise mutually, agreed.

35. COSTS, CHARGES & EXPENSES.

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

TRUE-COPY

K. K. Trivedi
(K. K. TRIVEDI)
COMPANY REGISTRAR
HIGH COURT (O.S.)
BOMBAY

CERTIFIED TRUE COPY
For HEMANT SETHI & CO.

Hemant Sethi
ADVOCATES