

SCHEME OF ARRANGEMENT

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

BETWEEN

ABB INDIA LIMITED

AND

ABB POWER PRODUCTS AND SYSTEMS INDIA LIMITED

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS



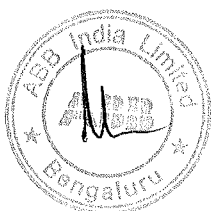
PART A – GENERAL

PREAMBLE

This scheme of arrangement (“**Scheme**”, as more particularly defined hereunder) is presented under Sections 230-232 and other applicable provisions of the Companies Act, 2013 between ABB India Limited (“**Transferor**”), a subsidiary of ABB Asea Brown Boveri Limited, a corporation incorporated in Switzerland, and ABB Power Products and Systems India Limited (“**Transferee**”) and their respective shareholders and creditors. The Scheme provides *inter alia* for the demerger of the Demerged Undertaking (*as defined below*) of the Transferor to the Transferee (“**Demerger**”) and the consequent issuance of equity shares by the Transferee to the shareholders of the Transferor under Sections 230-232 and other applicable provisions of the Act (*as defined below*) and the SEBI Scheme Circular (*as defined below*).

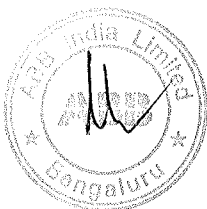
BACKGROUND

- (a) The Transferor is a public limited company with corporate identification number L32202KA1949PLC032923 and was incorporated *vide* certificate of incorporation dated December 24, 1949 as ‘The Hindustan Electric Company Limited’ under the Companies Act, 1913. Thereafter, *vide* fresh certificates of incorporation dated September 24, 1965, October 13, 1989 and April 16, 2003, the name of the Transferor was changed to ‘Hindustan Brown Boveri Limited’, ‘Asea Brown Boveri Limited’ and ‘ABB Limited’ respectively. The name of the Transferor was changed to its current name i.e. ‘ABB India Limited’ *vide* fresh certificate of incorporation dated June 14, 2013. The certificate for commencement of business was issued to the Transferor on March 2, 1950.
- (b) The Transferor was originally incorporated in the State of Maharashtra. Thereafter, *vide* fresh certificate of registration dated November 27, 2003, the registered office of the Transferor was changed to the State of Karnataka. The Transferor currently has its registered office at 21st Floor, World Trade Center, Brigade Gateway, No. 26/1, Dr. Rajkumar Road, Malleshwaram West, Bengaluru – 560055, Karnataka. The Transferor offers power and automation technology products to utilities, industries, channel partners, and original equipment manufacturers worldwide, operating through robotics and motion, electrification products, industrial automation and power grids segments. The objects of the Transferor as stated in its memorandum of association include the following:
 - (i) To carry on the business of inventor, developer, manufacturer, buyer, seller, trader, service provider, repairer, dealer, exchanger, exporter, importer, consultant, e-commerce activities or otherwise deal in all kinds of low, medium, high voltage products including electric vehicle charging infrastructure, high voltage DC (HVDC) equipment and systems, microgrids, solar inverters, modular substations, distribution automation, power protection, wiring accessories, switchgear, enclosures, cabling, sensing and control, motors, generators, drives, mechanical power transmission, industrial robots, wind and traction converters, design to optimize the productivity of industrial processes, solutions include turnkey engineering, control systems, measurement products, life cycle services, outsourced maintenance and industry specific products like electric



propulsion for ships, mine hoists, turbochargers and pulp testing equipment etc., all power and automation products, systems, batteries, transformers service and software solutions across the generation, transmission and distribution, grid integration, transmission, distribution and automation solutions, renewable energy, digitalization solutions for power, industry and infrastructure segments and to carry out all activities in relation to business of power and automation generally.

- (ii) to manufacture, buy, sell, exchange, alter, improve, manipulate, prepare for market, import or export or otherwise deal in all kinds of insulated cables, and wires, rubber insulated wires and cables, cab tyre sheathed wires, cables & flexibles flexible cords, cotton or silk braided, conduct wires and cables, low and high tension power cables, telegraph and telephone cables, low and high tension paper, rubber or bitumen insulated, lead covered power cables, armoured or non-armoured extra high tension, shielded and belted power cables type H, H.S.L. etc., mining shaft, submarine, and marine power cables, telephone and telegraph cables according to B.S.S. long distance cables, signalling cables, lead covered cables for house installation, accessories for power cables, lead covered cables for house installation, accessories for power cables, alplastable cables with seamless aluminium sheath covered with a second seamless skin of thermoplastic material, overhead material, bare copper, bronze, aluminium wires and cables solid or stranded for telephone, telegraph and signalling purposes, aluminium and steel cored aluminium cables for overhead lines, bare copper, and cadmium copper wire, round or grooved for tramways, trolley buses etc. (also suitable for crane operation) bare copper and aluminium bus bars, binders, and rotor bars suitable for dynamo, transformer and switchgear manufacturers, copper and aluminium wires and tapes for lightning conductors, aerials of copper, bronze, phosphor bronze, aluminium and all kinds of cables, wires, conductors and accessories.
- (iii) to carry on the business of manufacturing, buying, selling, re-selling, altering, importing, exporting, improving, assembling, distributing, hiring on hire purchase system or otherwise dealing in machinery operated by the use of electricity, steam, motive power or mechanical force or otherwise wires, cables, conductors, insulators of all types, capacities, voltages, designs of high tension and low tension machines as hydro thermal or diesel electric stations, generators, transformers, sub-stations and transformer stations, L.T. & H.T. switchgear, L.T. & H.T. networks, electric locomotives tramways and industrial railways, electric railway lines, convertors and rectification stations for railways, post and industries, electric motors and electric tubes for all industrial and agricultural purposes, wiping plants, accessories and equipment and electric medical equipment, industrial and domestic electric appliances.
- (c) The equity shares of the Transferor are listed on the BSE Limited and the National Stock Exchange of India Limited (collectively with BSE Limited, the “**Stock Exchanges**”).
- (d) The Transferee is a public limited company incorporated under the Act *vide* certificate of incorporation dated February 19, 2019, having its registered office at



(11)

21st Floor, World Trade Center, Brigade Gateway, No 26/1, Dr. Rajkumar Road, Malleswaram West, Bengaluru – 560 055, Karnataka. The corporate identification number of the Transferee is U31904KA2019PLC121597. The Transferee is a newly incorporated wholly owned subsidiary of the Transferor with the objects of, *inter alia*, undertaking the business of inventor, developer, manufacturer, buyer, seller, trader, service provider, repairer, dealer, exchanger, exporter, importer, consultant, e-commerce activities or otherwise deal in all kinds of low, medium, high voltage products including electric vehicle charging infrastructure, high voltage DC (HVDC) equipment and systems, microgrids, solar inverters, modular substations, distribution automation, power protection, wiring accessories, switchgear, enclosures, cabling, sensing and control, motors, generators, drives, mechanical power transmission, industrial robots, wind and traction converters, design to optimize the productivity of industrial processes, solutions include turnkey engineering, control systems, measurement products, life cycle services, outsourced maintenance and industry specific products like electric propulsion for ships, mine hoists, turbochargers and pulp testing equipment etc.; all power and automation products, systems, batteries, transformers service and software solutions across the generation, transmission and distribution, grid integration, transmission, distribution and automation solutions, renewable energy, digitalization solutions for power, industry and infrastructure segments.

- (e) This Scheme has been drawn up so that the Demerger of the Demerged Undertaking from the Transferor to the Transferee is compliant with the conditions applicable to a “demerger” under Section 2 (19AA) of the IT Act (*as defined below*) and other applicable provisions of the IT Act. If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with the provisions of the IT Act at a later date whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the provisions of the IT Act shall prevail to the extent of such inconsistency and the Scheme shall be deemed to be modified to the extent determined necessary by the Boards of the Transferor and the Transferee to comply with the IT Act, without any further act or deed of the Transferor or the Transferee. Such modification will however not affect other parts of the Scheme.

RATIONALE FOR THE DEMERGER

- (a) The Transferor has been driving industrial change as a pioneering technology leader. The Transferor is now taking fundamental actions to realign its business to focus, simplify and lead in digital industries for enhanced customer value and shareholder returns.
- (b) These actions include the separation of the Transferor’s portfolio of digital industries from the Transferor’s traditional, long gestation, projects led, business of power grids, with requirements that include access to financing, by transfer of the Power Grids Business (*as defined below*) to a demerged legal entity.
- (c) The simplification of the Transferor’s business model and structure with the implementation of this new organization is expected to provide each business with full operational ownership of products, functions, R&D and territories. These actions are likely to position the Transferor with a leadership role in digital solutions, and evolving technologies such as artificial intelligence in India, while



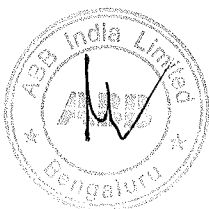
allowing the Transferee to independently focus on a likely leadership position in the Power Grids Business with its unique and established market dynamics.

- (d) With continuous advances in technology driving an unprecedented rate of development, the Transferor's customers' businesses in the country are being profoundly impacted. Indian customers are looking for more complete solutions, combining the right products with leading engineering expertise and domain capability.
- (e) The planning of fundamental actions whose objective is to focus, simplify and lead in digital industries is expected to allow the Transferor to more effectively meet customers' needs and capture market opportunities in Indian industries at an inflection point of digital transformation, with an even stronger customer proximity.
- (f) The new structure with a demerged self-contained Power Grids Business is likely to help deliberate refocusing onto industrial customers. Focus on digital industries in an era of energy and fourth industrial revolution, needs to be distinguished from the slower cycle, government influenced, financing support enabled large projects of Power Grids Business.
- (g) The proposed Demerger is expected to assist the current power grids division to independently pursue the business excellence built over a long period in the power infrastructure with its robust and time tested business model.
- (h) In order to effect the segregation of the Power Grids Business from the other businesses of the Transferor, the Transferor proposes to transfer the Power Grids Business to the Transferee by way of Demerger in accordance with Sections 230-232 of the Act and the SEBI Scheme Circular.
- (i) In consideration of the Demerger, the shareholders of the Transferor will receive equity shares in the Transferee, which will be listed on the Stock Exchanges. The shares held by the Transferor in the Transferee will be cancelled upon effectiveness of the Scheme.
- (j) The Demerger and consequent issue of equity shares by the Transferee are proposed to allow shareholders of the Transferor and Transferee and investors to invest in the distinct key businesses and allow shareholders of the Transferor and Transferee unlock the value of their investments.

This Scheme accordingly provides for the transfer by way of Demerger of the Demerged Undertaking from the Transferor to the Transferee, and the consequent issue of equity shares by the Transferee to the shareholders of the Transferor in accordance with the Share Entitlement Ratio (*as defined below*) and various other matters consequential or integrally connected therewith, including the reorganisation of the share capital of the Transferee, pursuant to Sections 230-232 and other applicable provisions of the Act, the SEBI Scheme Circular and in compliance with the IT Act, including Section 2(19AA) thereof.

PARTS OF THE SCHEME

The Scheme is divided into following parts:



13

1. **PART A** deals with background of the Transferor and the Transferee, rationale and objective of the Scheme;
2. **PART B** deals with the definitions, interpretation and share capital;
3. **PART C** deals with the Demerger of the Demerged Undertaking of the Transferor on a going concern basis into the Transferee; and
4. **PART D** deals with the general terms and conditions applicable to the Scheme.

PART B - DEFINITIONS, INTERPRETATION AND SHARE CAPITAL

1. DEFINITIONS

In this Scheme, unless inconsistent with or repugnant to the subject or context, the following expressions shall have the meanings respectively assigned against them:

- 1.1 **“Act”** means the Companies Act, 2013, the rules and regulations made thereunder and shall include any statutory modification or re-enactment thereof for the time being in force;
- 1.2 **“Appointed Date”** means opening of business on April 1, 2019 or such other date as the NCLT may direct/ allow;
- 1.3 **“Applicable Law”** means any applicable statute, law, regulation, ordinance, rule, judgment, order, decree, clearance, approval, directive, guideline, press notes, requirement or any similar form of determination by or decision of any Appropriate Authority, in each case having the force of law, and that is binding or applicable to a person, whether in effect as of the date on which this Scheme has been approved by the Board of the Transferor and the Transferee or at any time thereafter including Environmental Laws and Tax Laws;
- 1.4 **“Appropriate Authority”** means any applicable supra-national, national, central, state, municipal, provincial, local or similar governmental, statutory, regulatory, administrative authority, agency, commission, legislative body, departmental or public body or authority, board, branch, tribunal or court or other entity in India or any other country where the Transferor or Transferee conduct their business authorized to make laws, rules, regulations, standards, requirements, procedures or to pass directions or orders, in each case having the force of law, or any non-governmental regulatory or administrative authority, body or other organization in India or any other country where the Transferor or Transferee conduct their business to the extent that the rules, regulations and standards, requirements, procedures or orders of such authority, body or other organization have the force of law, or any stock exchange of India or any other country where the Transferor or Transferee conduct their business including the Registrar of Companies, Regional Director, Competition Commission of India, Reserve Bank of India, SEBI, Stock Exchanges, National Company Law Tribunal, Tax department including the Central Board of Direct Taxes, Income Tax authorities, Central and State GST Departments and such other sectoral regulators or authorities in India or any other country where the Transferor or Transferee conduct their business as may be applicable;

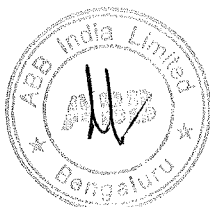


14

- 1.5 **“Board”** means the board of directors of the Transferor and/or Transferee, as the case may be, in office at the relevant time, and, shall include a committee duly constituted and authorized by the directors of the Transferor or the Transferee, as the case may be;
- 1.6 **“Costs”** means direct losses, damages, liabilities, penalties, fines, costs (including reasonable legal costs) and expenses (including Taxation), in each case of any nature whatsoever;
- 1.7 **“Demerged Liabilities”** shall have the meaning set out in Clause 7.2;
- 1.8 **“Demerged Undertaking”** means the business, undertaking, and properties, of whatsoever nature and kind and wheresoever situated, in each case, forming part of or necessary or advisable for the conduct of, or the activities or operations of, the Power Grids Business as a going concern, including but not limited to, the following:
- (a) all immovable properties and rights thereto i.e. land together with the buildings and structures standing thereon (whether freehold, leasehold, leave and licensed, right of way, tenancies or otherwise) including roads, drains and culverts, bunk house, civil works, foundations for civil works, buildings, warehouses, offices, etc., which immovable properties exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and the Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business and all documents (including panchnamas, declarations, deeds or receipts) of title, rights and easements in relation thereto and all rights, covenants, continuing rights, title and interest, benefits and interests of agreements for lease or license or other rights to use of premises, in connection with the said immovable properties;
 - (b) all assets, as are movable in nature and which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and the Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business, whether present or future or contingent, tangible or intangible, in possession or not, corporeal or incorporeal, in each case, wherever situated (including plant and machinery, capital work in progress, furniture, fixtures, fixed assets, computers, air conditioners, appliances, accessories, office equipment, communication facilities, installations, vehicles, inventories, stock in trade, stores and spares, packing material, raw material, tools and plants) actionable claims, earnest monies, security deposits paid or deemed to have been paid and sundry debtors, prepaid expenses, bills of exchange, promissory notes, financial assets, investment and shares in entities/branches/offices undertaking the Power Grids Business in India or overseas, outstanding loans and advances, recoverable in cash or in kind or for value to be received, receivables, funds, cash and bank balances and deposits including accrued interest thereto with any Appropriate Authority, banks, customers and other persons, the benefits of any bank guarantees and performance guarantees;

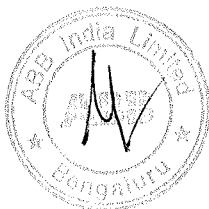


- (c) all permits, licenses, permissions, right of way, approvals, clearances, consents, benefits, registrations, rights, entitlements, pre-qualifications, eligibility criterion, credits, certificates, awards, sanctions, allotments, quotas, no objection certificates, exemptions, concessions, subsidies, tax deferrals, incentives, exemptions and other benefits (in each case including the benefit of any applications made for the same), relatable to the Power Grids Business, if any, liberties and advantages, approval for commissioning of project and other licenses or clearances granted/ issued/ given by any Appropriate Authority, organizations or companies necessary for conduct of, or the activities or operations of, the Power Grids Business or in connection therewith including those relating to privileges, powers, facilities of every kind and description of whatsoever nature and the benefits thereto that which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business;
- (d) all contracts, agreements, purchase orders/ service orders, operation and maintenance contracts, memoranda of understandings, memoranda of undertakings, memoranda of agreements, memoranda of agreed points, bids, tenders, tariff policies, expressions of interest, letters of intent, hire and purchase arrangements, power purchase agreements, lease/ license agreements, tenancy rights, agreements/ panchnamas for right of way, equipment purchase agreements, agreement with customers, purchase and other agreements with the supplier/ manufacturer of goods/ service providers, other arrangements, undertakings, deeds, bonds, schemes, concession agreements, insurance covers and claims, clearances and other instruments of whatsoever nature and description, whether vested or potential and written, oral or otherwise and all rights, title, interests, claims and benefits thereunder which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business;
- (e) all Intellectual Property (if any) owned by the Transferor which exclusively or predominantly forms part of the Power Grids Business or which are determined by the Boards of the Transferor and Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business, any rights of the Transferor to use any Intellectual Property which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business, applications (including hardware, software, licenses, source codes, para meterisation and scripts), registrations, goodwill, trade names, service marks, copyrights, patents, project designs, marketing authorization, approvals, marketing intangibles, permits, permissions, incentives, privileges, special status, domain names, designs, trade secrets, research and studies, technical knowhow, confidential information and other benefits (in each case including the benefit of any applications made for the same) and all such Intellectual Property rights of whatsoever description and nature



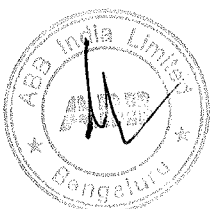
which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business;

- (f) all rights to use and avail telephones, facsimile, email, internet, leased line connections and installations, utilities, electricity and other services, reserves, provisions, funds, benefits of assets or properties or other interests held in trusts, registrations, contracts, engagements, arrangements of all kind, privileges and all other rights, easements, liberties and advantages of whatsoever nature and wheresoever situated belonging to or in the ownership, power or possession and in control of or vested in or granted in favour of or enjoyed by the Transferor which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and the Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business and all other interests of whatsoever nature belonging to or in the ownership, power, possession or control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Transferor which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and the Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business;
- (g) all books, records, files, papers, engineering and process information, software licenses (whether proprietary or otherwise), test reports, computer programmes, drawings, manuals, data, databases including databases for procurement, commercial and management, catalogues, quotations, sales and advertising materials, product registrations, dossiers, product master cards, lists of present and former customers and suppliers including service providers, other customer information, customer credit information, customer/ supplier pricing information, and all other books and records, whether in physical or electronic form which exclusively or predominantly form part of the Power Grids Business or which are determined by the Boards of the Transferor and Transferee as being necessary for conduct of, or the activities or operations of, the Power Grids Business;
- (h) the Demerged Liabilities;
- (i) the Transferred Employees;
- (j) all legal or other proceedings of whatsoever nature that relate to the Power Grids Business (subject to the provisions of Clause 9 and Clause 12 in relation to Tax matters); and
- (k) any assets, liabilities, agreements, undertakings, activities, operations or properties that are determined by the Boards of the Transferor and Transferee relating to or forming part of the Power Grids Business or which are necessary for conduct of, or the activities or operations of, the Power Grids Business.



17

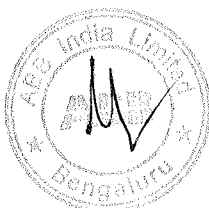
- 1.9 **“Effective Date”** means the last of the dates on which all the conditions and matters referred to in Clause 24 occur or have been fulfilled, obtained or waived, as applicable, in accordance with this Scheme. References in this Scheme to date of ‘coming into effect of the Scheme’ or ‘effectiveness of the Scheme’ shall be the Effective Date;
- 1.10 **“Encumbrance”** or to **“Encumber”** means without limitation any options, claim, pre-emptive right, easement, limitation, attachment, restraint, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance or interest of any kind securing, or conferring any priority of payment in respect of any obligation of any person, including any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under Applicable Law;
- 1.11 **“Environment”** means all organisms (including humans) and all or any of the following media, namely air (including the air within buildings or other natural or man-made structures above or below ground), water (including surface or ground water) or land;
- 1.12 **“Environmental Laws”** means all international, European Union, national, state, federal, regional or local laws (including common law, statute law, civil, criminal and administrative law), together with all subordinate legislation, which are in force, relating to all matters relating to the pollution of, or harm to or protection of the Environment;
- 1.13 **“Estate”** means any interest in land and other immoveable properties;
- 1.14 **“Funds”** shall have the meaning set out in Clause 8.2;
- 1.15 **“GST”** means the central tax as defined under the Central Goods and Services Tax Act, 2017, the integrated tax as defined under the Integrated Goods and Services Tax Act, 2017, and the state tax as defined under State Goods and Services Tax statutes;
- 1.16 **“Intellectual Property”** means:
- (a) patents, utility models, rights in inventions, supplementary protection certificates;
 - (b) rights in information (including know-how, confidential information and trade secrets) and the right to use, and protect the confidentiality of, confidential information;
 - (c) trade marks, service marks, rights in logos, trade and business names, rights in each of get-up and trade dress and all associated goodwill, rights to sue for passing off and/or for unfair competition and domain names;
 - (d) copyright, moral rights and related rights, rights in computer software, database rights, rights in designs, and semiconductor topography rights;
 - (e) any other intellectual property rights; and



- (f) all rights or forms of protection, subsisting now or in the future, having equivalent or similar effect to the rights referred to in paragraphs (a) to (e) above,

in each case: (i) anywhere in the world; (ii) whether unregistered or registered (including all applications, rights to apply and rights to claim priority); and (iii) including all divisionals, continuations, continuations-in-part, reissues, extensions, re-examinations and renewals and the right to sue for damages for past and current infringement in respect of any of the same;

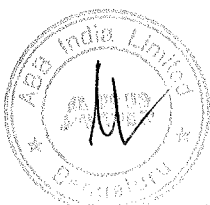
- 1.17 **"IT Act"** means the Income-tax Act, 1961 as may be amended or supplemented from time to time (and any successor provisions or law), including any statutory modifications or reenactments thereof together with all applicable by-laws, rules, regulations, orders, ordinances, directions including circulars and notifications and similar legal enactments, in each case issued under the Income-tax Act, 1961;
- 1.18 **"Liabilities"** means all liabilities, duties and obligations of every description, whether deriving from contract or under Applicable Law or otherwise, whether present or future, actual or contingent or ascertained or unascertained and whether owed or incurred severally or jointly or as principal or surety along with any Encumbrance thereon;
- 1.19 **"National Company Law Tribunal"** or **"NCLT"** means the National Company Law Tribunal at Bengaluru having jurisdiction in relation to the Transferor and Transferee and/ or the National Company Law Appellate Tribunal as constituted and authorized as per the provisions of the Act for approving any scheme of arrangement, compromise or reconstruction of companies under Sections 230-232 of the Act and shall include, if applicable, such other forum or authority as may be vested with the powers of a tribunal for the purposes of Sections 230-232 of the Act as may be applicable;
- 1.20 **"New Equity Shares"** shall have the meaning set out in Clause 16.1;
- 1.21 **"Power Grids Business"** means the development, engineering, manufacturing and sale of products, systems and projects that relate to the businesses of: (a) power grids automation, (b) power grids integration, (c) high voltage products, and (d) transformers, in each case, carried on by the Transferor;
- 1.22 **"Record Date"** means a date to be fixed by the Board of the Transferor for the purposes of determining the equity shareholders of the Transferor to whom equity shares of the Transferee would be issued and allotted in accordance with Clause 16;
- 1.23 **"Registrar of Companies"** means the registrar of companies at Bengaluru, Karnataka;
- 1.24 **"Retained Business"** means all the undertakings, investments, businesses, activities and operations of the Transferor except those comprised in the Demerged Undertaking and including, for the avoidance of doubt, the Transferor's undertakings, investments, businesses, activities and operations (if any) relating to the EPC substations business and electrical balance of plants business, in each case, as identified by the Boards of the Transferor and the Transferee;



- 1.25 **"Sanction Order"** means the order of the NCLT sanctioning this Scheme;
- 1.26 **"SEBI"** means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992;
- 1.27 **"SEBI Scheme Circular"** shall mean circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended) on Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 issued by SEBI;
- 1.28 **"Securities Act"** shall have the meaning set out in Clause 16.10;
- 1.29 **"Stock Exchanges"** means the BSE Limited and the National Stock Exchange of India Limited;
- 1.30 **"Share Entitlement Ratio"** shall have the meaning set out in Clause 16.1;
- 1.31 **"Tax"** or **"Taxes"** means and include any tax, whether direct or indirect, including income tax (including withholding tax, dividend distribution tax), GST, excise duty, VAT, CST, service tax, octroi, local body tax and customs duty, duties, charges, fees, levies or other similar assessments by or payable to an Appropriate Authority, including in relation to (a) income, services, gross receipts, premium, immovable property, movable property, assets, profession, entry, capital gains, municipal, interest, expenditure, imports, wealth, gift, sales, use, transfer, licensing, withholding, employment, payroll and franchise taxes, and (b) any interest, fines, penalties, assessments, or additions to Tax resulting from, attributable to or incurred in connection with any proceedings or late payments in respect thereof;
- 1.32 **"Tax Laws"** shall have the meaning set out in Clause 12.1(a);
- 1.33 **"Transferred Employees"** shall have the meaning set out in Clause 8.1;
- 1.34 **"Transferor Liabilities"** means:
- (a) any Liabilities relating to the Retained Business; and
 - (b) any Taxes which the Transferor is liable to pay to any Appropriate Authority under Applicable Law which arise exclusively or predominantly out of the activities or operations of the Demerged Undertaking upto the Appointed Date.

2. INTERPRETATION

- 2.1 References to Clauses, unless otherwise provided, are to clauses of and to this Scheme.
- 2.2 The headings herein shall not affect the construction of this Scheme.
- 2.3 Unless the context otherwise requires, reference to any law or to any provision thereof shall include references to any such law or to any provision thereof as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted, or to any law or any provision which replaces it, and any reference to a



statutory provision shall include any subordinate legislation made from time to time under that provision.

- 2.4 The singular shall include the plural and vice versa; and references to one gender include all genders.
- 2.5 Any phrase introduced by the terms “including”, “include” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- 2.6 References to a person include any individual, firm, body corporate (whether incorporated), government, state or agency of a state or any joint venture, association, partnership, works council or employee representatives body (whether or not having separate legal personality).
- 2.7 All terms and words used but not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and other Applicable Laws for the time being in force.

3. DATE OF TAKING EFFECT AND OPERATIVE DATE

This Scheme shall be effective from the Appointed Date but shall be operative from the Effective Date.

4. SHARE CAPITAL

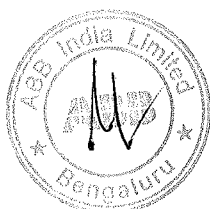
- 4.1 The authorized, issued, subscribed and paid up share capital of the Transferor as on December 31, 2018 is as under:

Share Capital	Amount (In Rs.)
<u>Authorized Share Capital</u>	
21,25,00,000 equity shares of Rs. 2/- each	42,50,00,000
7,50,000 preference shares of Rs. 100/- each	7,50,00,000
TOTAL	50,00,00,000
<u>Issued, subscribed and paid-up Share Capital*</u>	
21,19,08,375 equity shares of Rs. 2 /- each fully paid up	42,38,16,750
TOTAL	42,38,16,750

*The equity shares of the Transferor are listed on the Stock Exchanges.

- 4.2 The authorized, issued, subscribed and paid up share capital of the Transferee as on February 19, 2019 is as under:

Share Capital	Amount (In Rs.)
<u>Authorized Share Capital</u>	
2,50,000 equity shares of Rs. 2/- each	5,00,000
TOTAL	5,00,000
<u>Issued, subscribed and paid-up Share Capital</u>	
50,000 equity shares of Rs. 2/- each, fully paid up	1,00,000
TOTAL	1,00,000



21

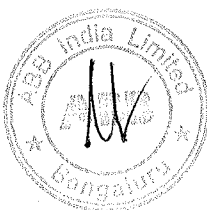
PART C - TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING
FROM THE TRANSFEROR TO THE TRANSFEE

5. TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING

Upon the Scheme becoming effective and with effect from the Appointed Date, the Demerged Undertaking shall, in accordance with Section 2 (19AA) of the IT Act and pursuant to Sections 230-232 of the Act and other Applicable Laws, and pursuant to the Sanction Order, without any further act, instrument or deed, be demerged from the Transferor and stand transferred to and vested in or be deemed to be transferred to and vested in the Transferee as a going concern in the manner set out below.

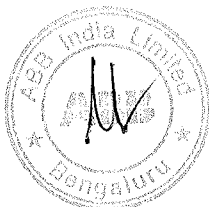
6. TRANSFER OF ASSETS

- 6.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date, the Demerged Undertaking shall, in accordance with the provisions of this Clause 6 in relation to the mode of transfer and vesting and pursuant to Sections 230-232 of the Act and without any further act or deed, be demerged from the Transferor and be transferred to and vested in or be deemed to have been demerged from the Transferor and transferred to and vested in the Transferee as a going concern without any break or interruptions in the operations thereof so as to become as and from the Appointed Date, the Estate, assets, investments, rights, claims, title, interest and authorities of the Transferee, subject to the provisions of this Scheme in relation to Encumbrances in favour of banks and/ or financial institutions.
- 6.2 Upon the Scheme becoming effective, with effect from the Appointed Date, in respect of such of the assets of the Demerged Undertaking as are movable in nature and/ or otherwise capable of transfer by manual or constructive delivery and/ or by endorsement and delivery, including cash and bank balances, units of mutual funds, market instruments and other securities of the Demerged Undertaking, the same shall stand transferred by the Transferor to the Transferee pursuant to the provisions of Sections 230-232 of the Act or be deemed to be transferred by delivery or possession or by endorsement and delivery and without requiring any deed or instrument of conveyance for transfer of the same, and shall become the property of the Transferee subject to the Clauses in this Scheme in relation to Encumbrances in favour of banks and/ or financial institutions.
- 6.3 Without prejudice to the generality of Clause 6.2 but subject to the provisions of Clauses 9 and 12 in relation to Tax, and in respect of movable assets other than those dealt with in Clause 6.2, including but not limited to sundry debts, actionable claims, earnest monies, receivables, bills, credits, loans, advances and deposits with any Appropriate Authorities or any other bodies and/ or customers or any other person, if any, forming part of the Demerged Undertaking, whether recoverable in cash or in kind or for value to be received, bank balances, etc., the same shall stand transferred to and vested in the Transferee without any notice or other intimation to any person in pursuance of the provisions of Sections 230-232 read with other relevant provisions of the Act to the end and intent that the right of the Transferor to recover or realize the same stands transferred to the Transferee, and that appropriate entries shall be passed in their respective books to record the aforesaid



change, without any notice or other intimation to such debtors, depositors or persons as the case may be. The Transferee may, at its sole discretion but without being obliged, give notice in such form as it may deem fit and proper, to such person, as the case may be, that the said debt, receivable, bill, credit, loan, advance or deposit stands transferred to and vested in the Transferee and be paid or made good or held on account of the Transferee as the person entitled thereto.

- 6.4 Without prejudice to the generality of the foregoing, all assets, Estate, rights, title, remedies, claims, rights of action, interest and authorities held by the Transferor on the Appointed Date forming part of the Demerged Undertaking, not otherwise specified in Clauses 6.1, 6.2 and 6.3, shall also, without any further act, instrument or deed, stand transferred to and vested in or be deemed to be transferred to and vested in the Transferee upon the coming into effect of this Scheme pursuant to the provisions of Sections 230-232 of the Act.
- 6.5 Without prejudice to the generality of the foregoing, upon the coming into effect of this Scheme, all immovable properties of the Transferor and all the rights, title, interest and claims of the Transferor in any immovable properties including any leasehold/ leave and license/ right of way properties of the Transferor forming part of the Demerged Undertaking, shall, pursuant to Sections 230-232 of the Act, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to or vested in the Transferee on the same terms and conditions.
- 6.6 All assets, Estate, rights, title, interest and authorities acquired by the Transferor on or after the Appointed Date and prior to the Effective Date forming part of the Demerged Undertaking shall also stand transferred to and vested or be deemed to have been transferred to or vested in the Transferee upon the coming into effect of this Scheme without any further act, instrument or deed.
- 6.7 For the avoidance of doubt and without prejudice to the generality of the foregoing, it is expressly clarified that upon the coming into effect of this Scheme and with effect from the Appointed Date, all permits, licenses, permissions, right of way, approvals, clearances, consents, benefits, all Tax related incentives/holiday benefits, registrations, pre-qualifications, eligibility criterion, entitlements, credits, certificates, awards, sanctions, allotments, quotas, no objection certificates, exemptions, concessions, issued to or granted to or executed in favour of the Transferor, and the rights and benefits under the same, in so far as they relate to the Demerged Undertaking and all Intellectual Property rights forming part of the Demerged Undertaking including attached goodwill and all other interests relating to the goods or services forming part of the Demerged Undertaking and the benefit of all statutory and regulatory permissions, environmental approvals and consents, registration or other licenses, and consents acquired by the Transferor forming part of the Demerged Undertaking shall be transferred to and vested in or deemed to have been transferred to or vested in the Transferee and the concerned licensors and grantors of such statutory and regulatory permissions, environmental approvals and consents, registrations, licenses and consents, shall endorse, where necessary, and record, in accordance with Applicable Law, the Transferee on such statutory and regulatory permissions, environmental approvals and consents, registrations, licenses and consents so as to empower and facilitate the transfer and vesting of the Demerged Undertaking in the Transferee and continuation of operations forming part of the Demerged Undertaking in the Transferee without hindrance and that such



23

statutory and regulatory permissions, environmental approvals and consents, registrations, licenses and consents shall remain in full force and effect in favour of or against the Transferee, as the case may be, and may be enforced as fully and effectually as if, instead of the Transferor, the Transferee had been a party or beneficiary or obligee thereto. The Transferor and the Transferee may execute necessary documentation to give effect to the foregoing, where required.

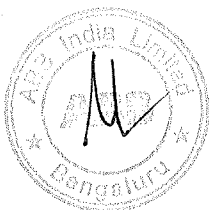
- 6.8 For avoidance of doubt and without prejudice to the generality of any applicable provisions of this Scheme, in order to ensure the smooth transition and sales of products and inventory of the Transferor manufactured and/ or branded and/ or labelled and/ or packed in the name of the Transferor prior to the Effective Date insofar as they relate to the Demerged Undertaking, the Transferee shall have the right to own, use, market, sell, exhaust or to in any manner deal with any such products and inventory (including packing material) pertaining to the Transferor at manufacturing locations or warehouses or elsewhere, without making any modifications whatsoever to such products and /or their branding, packing or labelling. All invoices/ payment related documents pertaining to such products and inventory (including packing material) may be raised in the name of the Transferee after the Effective Date.

7. TRANSFER OF LIABILITIES AND ENCUMBRANCES

- 7.1 Upon coming into effect of this Scheme and with effect from the Appointed Date, all Demerged Liabilities, whether or not provided in the books of the Transferor shall without any further act, instrument or deed be and stand transferred to the Transferee to the extent that they are outstanding as on the Effective Date and shall thereupon become as and from the Appointed Date (or in case of any Demerged Liability incurred on a date on or after the Appointed Date, with effect from such date) the debts, duties, obligations, and liabilities of the Transferee, along with any Encumbrance relating thereto, on the same terms and conditions as were applicable to the Transferor and the Transferee undertakes to meet, discharge and satisfy to the exclusion of the Transferor such that the Transferor shall in no event be responsible or liable in relation to any such Demerged Liabilities.

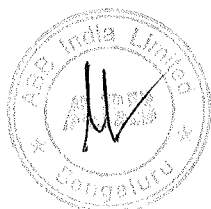
- 7.2 The term “**Demerged Liabilities**” shall mean:

- (a) all Liabilities which relate exclusively or predominantly out of the activities or operations of the Power Grids Business;
- (b) Liabilities under Tax Laws which arise exclusively or predominantly out of the activities or operations of the Power Grids Business on or after the Appointed Date. Notwithstanding anything contained in Clause 7.2 (a), any Liabilities under Tax Laws which arise exclusively or predominantly out of the activities or operations of the Power Grids Business prior to the Appointed Date will not constitute Demerged Liabilities even where such Liabilities crystalize after the Appointed Date;
- (c) the specific loans or borrowings (including debentures, if any), raised, incurred and utilized solely for the Power Grids Business; and



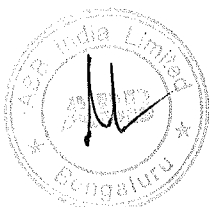
24

- (d) in cases other than those referred to in Clause 7.2 (a) or Clause 7.2 (c), so much of the amounts of general or multipurpose borrowings, if any, of the Transferor, as stand in the same proportion which the value of the assets transferred pursuant to the Scheme bears to the total value of the assets of the Transferor immediately prior to the Appointed Date.
- 7.3 In so far as the Demerged Liabilities of the Transferor are concerned, such Demerged Liabilities transferred to the Transferee in terms of this Clause 7, shall, without any further act, instrument or deed, become loans and borrowings of the Transferee, and all rights, powers, duties and obligations in relation thereto shall stand transferred to and vested in the Transferee and shall be exercised by or against the Transferee as if it had entered into such loans and incurred such borrowings. Thus, the primary obligation to redeem or repay such liabilities shall be that of the Transferee.
- 7.4 Where any of the Demerged Liabilities have been partially or fully discharged by the Transferor on or after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Transferee. All the Demerged Liabilities and obligations incurred by the Transferor for the operations of the Demerged Undertaking on or after the Appointed Date and prior to the Effective Date shall be deemed to have been incurred for and on behalf of the Transferee and to the extent any Demerged Liabilities are outstanding on the Effective Date, they shall also without any further act, instrument or deed be and stand transferred to the Transferee and shall become the liabilities and obligations of the Transferee.
- 7.5 The transfer and vesting of the assets comprised in the Demerged Undertaking to and in the Transferee upon the coming into effect of the Scheme shall be subject to the Encumbrances, if any, affecting the same as hereinafter provided.
- 7.6 In so far as the existing Encumbrances in respect of the Demerged Liabilities are concerned, such Encumbrances shall, without any further act, instrument or deed be modified and shall be extended to and shall operate only over the assets comprised in the Demerged Undertaking which have been Encumbered in respect of the Demerged Liabilities as transferred to the Transferee pursuant to this Scheme and such Encumbrances shall not relate or attach to any of the other assets of the Transferee. Provided that if any of the assets comprised in the Demerged Undertaking which are transferred to the Transferee pursuant to this Scheme have not been Encumbered in respect of the Demerged Liabilities, such assets shall remain unencumbered and the existing Encumbrances referred to above shall not be extended to and shall not operate over such assets.
- 7.7 In so far as the existing Encumbrances over the assets and other properties of the Transferee or any part thereof which relate to the liabilities and obligations of the Transferee prior to the Effective Date are concerned, such Encumbrance shall, without any further act, instrument or deed continue to relate to only such assets and properties and shall not extend or attach to any of the assets and properties of the Demerged Undertaking transferred to and vested in the Transferee by virtue of the Scheme.



25

- 7.8 If any Encumbrance of the Transferor for the operations of the Demerged Undertaking exists as on the Appointed Date, but has been partially or fully released thereafter by the Transferor on or after the Appointed Date but prior to the Effective Date, such release shall be deemed to be for and on account of the Transferee upon the coming into effect of the Scheme and all Encumbrances incurred by the Transferor for the operations of the Demerged Undertaking on or after the Appointed Date and prior to the Effective Date shall be deemed to have been incurred for and on behalf of the Transferee, and such Encumbrances shall not attach to any property of the Transferor.
- 7.9 Subject to the other provisions of this Scheme, in so far as the assets forming part of the Demerged Undertaking are concerned, the Encumbrances, over such assets, to the extent they relate to any loans or borrowings or debentures or other debt or debt securities of the Transferor pertaining to the Retained Business shall, as and from the Effective Date, without any further act, instrument or deed be released and discharged from the same and shall no longer be available as Encumbrances in relation to liabilities of the Transferor pertaining to the Retained Business which are not transferred to the Transferee pursuant to the Scheme (and which shall continue with the Transferor).
- 7.10 In so far as the assets of the Retained Business are concerned, the Encumbrances over such assets, to the extent they relate to any Demerged Liabilities shall, without any further act, instrument or deed be released and discharged from such Encumbrances.
- 7.11 In so far as the existing Encumbrances in respect of the loans and other liabilities relating to the Retained Business are concerned, such Encumbrances shall, without any further act, instrument or deed be continued with the Transferor only on the assets relating to the Retained Business and the assets forming part of the Demerged Undertaking shall stand released therefrom.
- 7.12 Without prejudice to the provisions of the foregoing Clauses and upon coming into effect of the Scheme, the Transferor and the Transferee shall enter into and execute such other deeds, instruments, documents and/ or writings and/ or do all acts and deeds as may be required, including the filing of necessary particulars and/ or modification(s) of charge, with the Registrar of Companies to give formal effect to the provisions of this Clause and foregoing Clauses, if required.
- 7.13 Upon the coming into effect of this Scheme and with effect from the Appointed Date, the Transferor alone shall be liable to perform all obligations in respect of all debts, liabilities, duties and obligations pertaining to the Retained Business, and the Transferee shall not have any obligations in respect of the debts, liabilities, duties and obligations of the Retained Business. Further, upon the coming into effect of this Scheme and with effect from the Appointed Date, the Transferee alone shall be liable to perform all obligations in respect of Demerged Liabilities, which have been transferred to it in terms of this Scheme, and the Transferor shall not have any obligations in respect of such Demerged Liabilities, save as agreed in writing between the Transferor and the Transferee.
- 7.14 Any reference in any security documents or arrangements (to which the Transferor is a party) to the Transferor and its assets and properties, which relate to the



26

Demerged Undertaking, shall be construed as a reference to the Transferee and the assets and properties of the Transferor transferred to the Transferee by virtue of the Scheme. Without prejudice to the foregoing provisions, the Transferor and the Transferee may execute any instruments or documents or do all acts and deeds as may be considered appropriate, including the filing of necessary particulars and/or modification(s) of charge, with the jurisdictional Registrar of Companies to give formal effect to these provisions, if required.

- 7.15 The foregoing provisions shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security documents, all of which instruments, deeds or writings shall be deemed to have been modified and/ or superseded by the foregoing provisions.
- 7.16 It is expressly provided that, save as mentioned in this Scheme, no other term or condition of the Demerged Liabilities transferred to the Transferee as part of the Scheme is modified by virtue of this Scheme except to the extent that such amendment is required statutorily or by necessary implication.
- 7.17 All cheques and other negotiable instruments, pay orders, electronic fund transfers (such as NEFT, RTGS, etc.) received or presented for encashment which are in the name of the Transferor after the Effective Date, in so far as the same forms part of the Demerged Undertaking, shall be deemed to have been in the name of the Transferee and credited to the account of the Transferee, if presented by the Transferee or received through electronic transfers and shall be accepted by the relevant bankers and credited to the accounts of the Transferee. Similarly, the banker of the Transferee shall honour all cheques/ electronic fund transfer instructions issued by the Transferor (in relation to the Demerged Undertaking for payment after the Effective Date. If required, the bankers of the Transferor and/ or the Transferee shall allow maintaining and operating of the bank accounts (including banking transactions carried out electronically) in the name of the Transferor by the Transferee in relation to the Demerged Undertaking for such time as may be determined to be necessary by the Transferee for presentation and deposit of cheques, pay order and electronic transfers that have been issued/ made in the name of the Transferor.
- 7.18 Upon the coming into effect of this Scheme, the borrowing limits of the Transferee in terms of Section 180 (1) (c) of the Act shall be deemed increased without any further act, instrument or deed to the equivalent of the aggregate borrowings forming part of the Demerged Liabilities transferred by Transferor to the Transferee pursuant to the Scheme. Such limits shall be incremental to the existing borrowing limits of the Transferee.
- 7.19 The interests of all the unsecured creditors of the Transferor in connection with the Demerged Undertaking and Transferee remain unaffected by this Scheme as the assets of the Transferee upon the effectiveness of the Scheme will be more than its Liabilities and as such sufficient to discharge such Liabilities.

8. EMPLOYEES

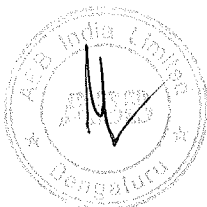
- 8.1 On the Scheme becoming effective, all employees of the Transferor who are either:
(i) primarily engaged in the Power Grids Business; or (ii) jointly identified by the



27

Board of the Transferor and the Board of the Transferee as being necessary for the proper functioning of the Power Grids Business including its future development, and, in each case, who are in service of the Transferor on the date immediately preceding the Effective Date ("**Transferred Employees**") shall be deemed to have become employees of the Transferee with effect from the Appointed Date or their respective joining date, whichever is later, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with the Transferee shall not be less favourable than those applicable to them with reference to their employment in the Transferor on the date immediately preceding the Effective Date. Services of the Transferred Employees shall be taken into account from the date of their respective appointment with the Transferor for the purposes of all retirement benefits and all other entitlements for which they may be eligible. The Transferee further agrees that for the purpose of payment of any retrenchment compensation, if any, such past services with the Transferor shall also be taken into account. The services of the Transferred Employees shall not be treated as having been broken or interrupted for the purpose of provident fund or gratuity or superannuation or other statutory purposes and for all purposes will be reckoned from the date of their respective appointments with the Transferor.

- 8.2 It is expressly provided that, upon the Scheme coming into effect, insofar as the provident fund, gratuity fund, superannuation fund or any other special fund or trusts, if any, created or existing for the benefit of the staff and employees of the Transferor (including Transferred Employees) are concerned (collectively referred to as the "**Funds**"), such proportion of the investments made in the Funds which are referable to the Transferred Employees shall be transferred to the similar funds created by the Transferee and shall be held for their benefit pursuant to this Scheme, or at the sole discretion of the Transferee, maintained as separate funds by the Transferee. In the event that the Transferee does not have its own funds in respect of any of the above, the Transferee may, subject to necessary approvals and permissions, continue to contribute to the relevant Funds or discharge such liabilities of the Transferor, in relation to Funds to be maintained for the Transferred Employees, until such time that the Transferee creates its own funds, at which time the Funds and the investments and contributions pertaining to the Transferred Employees shall be transferred to the funds created by the Transferee.
- 8.3 Further to the transfer of Funds as set out in Clause 8.2, for all purposes whatsoever in relation to the administration or operation of such Fund or Funds or in relation to the obligation to make contributions to the said Fund or Funds in accordance with the provisions thereof as per the terms provided in the respective trust deeds, if any, all rights, duties, powers and obligations of the Transferor in relation to the Power Grids Business on and from the Appointed Date in relation to such Fund or Funds shall become those of the Transferee. It is clarified that the services of the Transferred Employees will be treated as having been continuous for the purpose of the Funds.
- 8.4 In relation to those Transferred Employees who are not covered under the provident fund trust of the Transferor, and for whom the Transferor is making contributions to the government provident fund, the Transferee shall be deemed to be substituted for the Transferor on and from the Appointed Date for all purposes whatsoever, including relating to the obligation to make contributions to the said fund in



28

accordance with the provisions of such fund, bye laws, etc. in respect of such Transferred Employees.

- 8.5 In relation to any other fund (including any funds set up by the government for employee benefits) created or existing for the benefit of the Transferred Employees, the Transferee shall be deemed to be substituted for the Transferor on and from the Appointed Date for all purposes whatsoever, including relating to the obligation to make contributions to the said funds in accordance with the provisions of such scheme, funds, bye laws, etc. in respect of the Transferred Employees.
- 8.6 In so far as the existing benefits or funds created by the Transferor for the employees of the Retained Business are concerned, the same shall continue and the Transferor shall continue to contribute to such benefits or funds in accordance with the provisions thereof, and such benefits or funds, if any, shall be held *inter alia* for the benefit of the employees of the Retained Business, and the Transferee shall have no liability in respect thereof.

9. LEGAL AND OTHER PROCEEDINGS

- 9.1 Upon the coming into effect of this Scheme, subject to the provisions of Clause 9.2 in relation to Tax proceedings, if any suit, appeal, legal or other proceeding of whatever nature, whether criminal or civil (including before any statutory or quasi-judicial authority or tribunal), under any Applicable Law, by or against the Transferor in relation to the Demerged Undertaking is pending on the Effective Date or is instituted any time thereafter, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but the said suit, appeal or other proceedings shall be continued, prosecuted and enforced by or against the Transferee, as the case may be, after the Effective Date, in the same manner and to the same extent as it would have been continued, prosecuted and enforced by or against the Transferor in relation to Demerged Undertaking as if this Scheme had not been made.
- 9.2 The provisions of this Clause 9.2 shall apply to any suit, appeal, legal or other proceeding of whatever nature, whether criminal or civil (including before any statutory or quasi-judicial authority or tribunal), under any Tax Law relating to the Demerged Undertaking. Any such proceedings in relation to the Demerged Undertaking and pertaining to the period prior to the Appointed Date, whether pending on the Effective Date or instituted at any time thereafter, shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but shall be continued, prosecuted and enforced by or against the Transferor. Any such proceedings in relation to the Demerged Undertaking and pertaining to the period on or after the Appointed Date shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, and shall be continued, prosecuted and enforced by or against the Transferee, as the case may be, after the Effective Date, 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 in relation to Demerged Undertaking as if this Scheme had not been made.
- 9.3 If any proceedings are taken against the Transferor in respect of the matters referred to in this Clause 9, which is the responsibility of the Transferee, the Transferor shall



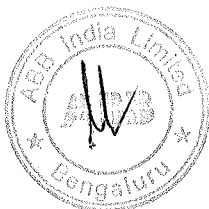
29

defend the same in accordance with the advice of the Transferee and at the cost of the Transferee, and the Transferee shall reimburse and indemnify the Transferor against all liabilities and obligations incurred by the Transferor in respect thereof. If any proceedings are taken against the Transferee in respect of the matters referred to in this Clause 9, which is the responsibility of the Transferor, the Transferee shall defend the same in accordance with the advice of the Transferor and at the cost of the Transferor, and the Transferor shall reimburse and indemnify the Transferee against all liabilities and obligations incurred by the Transferee in respect thereof.

- 9.4 In case of any litigation, suits, recovery proceedings which are to be initiated or may be initiated against the Transferor in relation to the Demerged Undertaking and which are the responsibility of the Transferee under this Clause 9, the Transferee shall be made party thereto and shall prosecute or defend such proceedings in co-operation with the Transferor and any payment and expenses made thereto shall be the liability of the Transferee. In case of any litigation, suits, recovery proceedings which are to be initiated or may be initiated against the Transferee in relation to the Retained Business and which are the responsibility of the Transferor under this Clause 9, the Transferor shall be made party thereto and shall prosecute or defend such proceedings in co-operation with the Transferee and any payment and expenses made thereto shall be the liability of the Transferor.
- 9.5 The Transferee undertakes to have all legal or other proceedings initiated by or against the Transferor and which is the responsibility of the Transferee under this Clause 9 transferred to its name as soon as is reasonably possible after the Effective Date and to have the same continued, prosecuted and enforced by or against the Transferee to the exclusion of the Transferor. The Transferor undertakes to have all legal or other proceedings initiated by or against the Transferee and which are the responsibility of the Transferor under this Clause 9 transferred to its name as soon as is reasonably possible after the Effective Date and to have the same continued, prosecuted and enforced by or against the Transferor to the exclusion of the Transferee. Both the Transferor and the Transferee shall make relevant applications in that behalf.

10. CONTRACTS, DEEDS, ETC.

- 10.1 Upon coming into effect of this Scheme and subject to the other provisions of this Scheme, all contracts, deeds, bonds, schemes, insurance, letters of intent, undertakings, arrangements, policies, agreements and other instruments, if any, of whatsoever nature forming part of the Demerged Undertaking to which the Transferor is a party or to the benefit of which the Transferor is eligible and which is subsisting or having effect on the Effective Date, shall without any further act or deed, continue in full force and effect against or in favour of the Transferee and may be enforced by or against the Transferee as fully and effectually as if, instead of the Transferor, the Transferee had been a party thereto.
- 10.2 The Transferee may at its sole discretion enter into and/or issue and/ or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which the Transferor will, if necessary, also be party in order to give formal effect to the provisions of this Scheme. The Transferee shall be deemed to be authorised to execute any such deeds, writings or confirmations on



30

behalf of the Transferor for the Demerged Undertaking and to implement or carry out all formalities required to give effect to the provisions of this Scheme.

- 10.3 Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Demerged Undertaking occurs by virtue of this Scheme itself, the Transferee may, at any time after the coming into effect of the Scheme, in accordance with its provisions, if so required under any Applicable Law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or arrangements with any party to any contract or arrangement to which the Transferor is a party, or any writings as may be necessary, in order to give formal effect to the provisions of this Scheme. The Transferee shall, under the provisions of this Scheme, be deemed to be authorized to execute any such writings on behalf of the Transferor and to carry out or perform all such formalities or compliances referred to above on the part of the Transferor to be carried out or performed.
- 10.4 For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of this Scheme, all consents, permissions, pre-qualifications, licenses, certificates, clearances, authorities, powers of attorney given by, issued to or executed in favour of the Transferor in relation to the Demerged Undertaking, including by any Appropriate Authority, including the benefits of any applications made for any of the foregoing, shall, subject to Applicable Law, stand transferred to the Transferee as if the same were originally given by, issued to or executed in favour of the Transferee, and the Transferee shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to the Transferee. The Transferee shall make necessary applications/ file relevant forms to any Appropriate Authority as may be necessary in this behalf.
- 10.5 Without prejudice to the aforesaid, it is clarified that if any assets (Estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Demerged Undertaking which the Transferor owns or to which the Transferor is a party to, cannot be transferred to the Transferee for any reason whatsoever:
- (a) the Transferor shall hold such asset or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Transferee, insofar as it is permissible so to do, till such time as their transfer is effected;
 - (b) the Transferor and Transferee shall, however, between themselves, treat each other as if that all contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Demerged Undertaking had been transferred to the Transferee on the Effective Date; and
 - (c) the Transferee shall perform or assist the Transferor in performing all of the obligations under those contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature, to be discharged after the Effective Date.



11. SAVING OF CONCLUDED TRANSACTIONS

Subject to the terms of the Scheme, the transfer of the Demerged Undertaking to the Transferee and the continuance of legal proceedings by or against the Transferee shall not affect any transaction or proceedings already concluded by the Transferor for the Power Grids Business, to the end and intent that the Transferee accepts and adopts all acts, deeds and things done and executed by the Transferor for the Power Grids Business in respect thereto as acts, deeds and things made, done and executed by or on behalf of the Transferee.

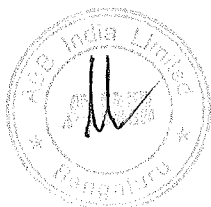
12. TAXATION MATTERS

12.1 Notwithstanding anything to the contrary contained in this Scheme, upon effectiveness of this Scheme:

- (a) the Transferor shall be liable for any Tax payable to Appropriate Authorities under Applicable Laws relating to Tax ("**Tax Laws**") and shall be entitled to any refunds of Tax from Appropriate Authorities under Tax Laws, which, in each case, arise from the operation or activities of the Demerged Undertaking prior to the Appointed Date, regardless of whether such payments or receipts are provided or recorded in the books of the Transferor and whether such payments or receipts are due or realised on, before or after the Appointed Date; and
- (b) the Transferee shall be liable for any Tax payable to Appropriate Authorities under Tax Laws and shall be entitled to refunds of any Tax from Appropriate Authorities under Tax Laws, which, in each case, arise from the operation or activities of the Demerged Undertaking on or after the Appointed Date, regardless of whether such payments or receipts are provided or recorded in the books of the Transferor and whether such payments or receipts are due or realised on, before or after the Appointed Date.

12.2 Upon effectiveness of this Scheme, all Taxes paid or payable by the Transferor in respect of the operations and/ or the profits of the Demerged Undertaking on and from the Appointed Date, shall be on account of the Transferee. Upon effectiveness of this Scheme, the payment of any Tax, whether by way of deduction at source (including foreign tax credit), advance tax, self assessment tax, minimum alternate tax, or otherwise howsoever, by the Transferor in respect of the activities or operations of the Demerged Undertaking on and from the Appointed Date, shall be deemed to have been paid by the Transferee, and, shall, in all proceedings, be dealt with accordingly.

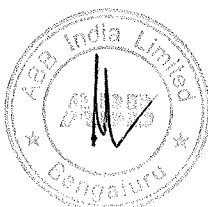
12.3 Any refund of Tax paid under Tax Laws including income tax, sales tax, value added tax, service tax, GST, CENVAT or any other Tax, in relation to the operation and activities of the Demerged Undertaking prior to the Appointed Date shall belong to and be received by the Transferor, even if the prescribed time limits for claiming such refunds or credits have lapsed. Any refund of Tax paid under Tax Laws including income tax, sales tax, value added tax, service tax, GST, CENVAT or any other Tax, in relation to the operation and activities of the Demerged Undertaking on or after the Appointed Date shall belong to and be received by the Transferee, even if the prescribed time limits for claiming such refunds or credits



32

have lapsed.

- 12.4 Any Tax incentives, subsidies, exemptions, special status, tax benefits (including but not limited to export incentives, credits/ incentives in respect of income tax, sales tax, value added tax, GST, turnover tax, excise duty, service tax etc.), duty drawbacks, and other benefits, credits, exemptions or privileges enjoyed, granted by an Appropriate Authority or availed of by the Transferor shall, without any further act or deed, in so far as they relate to or are available for the operation and activities of the Demerged Undertaking on or after the Appointed Date, vest with and be available to Transferee on the same terms and conditions, as if the same had been allotted and / or granted and / or sanctioned and / or allowed to the Transferee.
- 12.5 Each of the Transferee and the Transferor shall be entitled to file/ revise its income-tax returns, TDS certificates, TDS returns, GST returns and other statutory returns, notwithstanding that the period for filing / revising such returns may have lapsed and to obtain TDS certificates, including TDS certificates relating to transactions between or amongst the Transferor and the Transferee and shall have the right to claim refunds, advance Tax credits, input Tax credit, credits of all Taxes paid/ withheld, if any, as may be required consequent to implementation of this Scheme.
- 12.6 Any actions taken by the Transferor to comply with Tax Laws (including payment of Taxes, maintenance of records, payments, returns, Tax filings, etc.) in respect of the Demerged Undertaking on and from the Appointed Date upto the Effective Date shall be considered as adequate compliance by the Transferor with such requirements under Tax Laws and such actions shall be deemed to constitute adequate compliance by the Transferee with the relevant obligations under such Tax Laws.
- 12.7 Any unutilized GST credits pertaining to the Demerged Undertaking and available in the electronic input GST credit ledger of Transferor maintained by GSTN or as per Transferor's books of accounts, whichever is lower, shall, notwithstanding anything contained in this Clause 12, be transferred by the Transferor to the Transferee in accordance with Applicable Laws. The Transferor and Transferee shall take such actions as may be necessary under Applicable Law to effect such transfer. GST credits and GST Liability pertaining to the activities or operations of the Demerged Undertaking between the Appointed Date and the Effective Date shall, notwithstanding anything contained in this Clause 12 be dealt with in accordance with Applicable Laws.
- 12.8 All Liabilities under Tax Laws which relate exclusively or predominantly to the activities or operations of the Power Grids Business prior to the Appointed Date shall remain the Liabilities of the Transferor after the Effective Date, regardless of whether such Liabilities arise on or after the Appointed Date. All Liabilities under Tax Laws which relate exclusively or predominantly to the activities or operations of the Power Grids Business on or after the Appointed Date shall become the Liabilities of the Transferee upon effectiveness of the Scheme.
- 12.9 If the Transferor makes any payment to discharge any Liabilities under Tax Laws that relate exclusively or predominantly to the activities or operations of the Power Grids Business on or after the Appointed Date, the Transferee shall promptly pay or reimburse the Transferor for such payment. If the Transferee makes any payment



23

to discharge any Liabilities under Tax Laws that relate exclusively or predominantly to the activities or operations of the Power Grids Business prior to the Appointed Date, the Transferor shall promptly pay or reimburse the Transferee for such payment.

13. DIVIDEND

13.1 The Transferor shall be entitled to declare and pay dividends, whether interim or final, to their shareholders in respect of the accounting period prior to the Appointed Date.

13.2 It is clarified that the aforesaid provisions in respect of declaration of dividend are enabling provisions only and shall not confer or be deemed to confer any right on any shareholder of the Transferor to demand or claim any dividend which, subject to the provisions of the Act, shall be entirely at the discretion of the Board of the Transferor and subject to the approval, if required, of the shareholders of the Transferor.

14. VALIDITY OF EXISTING RESOLUTIONS

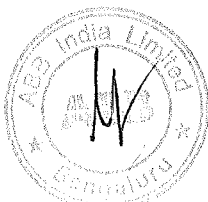
Upon the coming into effect of the Scheme, the resolutions, if any, of the Transferor relating to the Demerged Undertaking, which are valid and subsisting on the Effective Date, shall continue to be valid and subsisting and be considered as resolutions of the Transferee, and if any such resolutions have any monetary limits approved under the provisions of the Act, or any other applicable statutory provisions, such limits shall be added to the limits, if any, under like resolutions passed by the Transferee, and shall constitute the aggregate of the said limits in the Transferee.

15. RETAINED BUSINESS AND TRANSFEROR LIABILITIES

15.1 The Retained Business and all the assets, properties, rights, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Transferor, and the Transferee shall have no right, claim or obligation in relation to the Retained Business and nothing in this Scheme shall operate to transfer any of the Retained Business to the Transferee or to make the Transferee liable for any of the Transferor Liabilities.

15.2 All legal, taxation and other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal) by or against the Transferor under any statute, whether relating to the period prior to, on or after the Appointed Date and whether pending on the Appointed Date or which may be instituted in future, whether or not in respect of any matter arising before the Effective Date and relating to the Retained Business or the Transferor Liabilities (including those relating to any property, right, power, liability, obligation or duty of the Transferor in respect of the Retained Business or the Transferor Liabilities and any income tax related Liabilities) shall be continued and enforced by or against the Transferor even after the Effective Date.

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



34

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

16. CONSIDERATION FOR DEMERGER

- 16.1 Upon this Scheme becoming effective and in consideration of vesting of the Demerged Undertaking from the Transferor to the Transferee in terms of this Scheme, the Transferee shall, without any further application, act, instrument or deed and without any payment by the shareholders, issue and allot equity shares, credited as fully paid-up, to the shareholders of the Transferor, holding fully paid up equity shares in the Transferor and whose names appear in the register of members (including register and index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996) of the Transferor on the Record Date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the Record Date in the following manner/ratio:

"1 (one) fully paid up equity share of Rs. 2/- (Rupees Two only) each of the Transferee shall be issued and allotted for every 5 (five) fully paid up equity shares of Rs. 2/- (Rupees Two only) each held in the Transferor" ("Share Entitlement Ratio")

The shares issued by the Transferee pursuant to this Clause 16 are hereinafter referred to as "New Equity Shares".

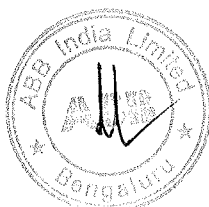
- 16.2 The New Equity Shares shall be subject to the Scheme, the memorandum and articles of association of the Transferee and Applicable Laws and shall rank *pari passu* with the equity shares of the Transferee.
- 16.3 If the allotment of shares pursuant to this Clause 16 will result in any shareholders being issued fractional shares, the Board of the Transferee shall, at its absolute discretion, decide to take any or a combination of the following actions:
- (a) consolidate all such fractional entitlements and thereupon allot equity shares in lieu thereof to a person/ trustee authorized by the Board of the Transferee in this behalf who shall hold the shares in trust on behalf of the shareholders of the Transferor entitled to fractional entitlements with the express understanding that such person shall sell the shares of the Transferee so allotted on the Stock Exchanges at such time or times and at such price or prices and to such person, as such person/trustee deems fit, and shall distribute the net sale proceeds, subject to tax deductions and other expenses



as applicable, to the shareholders of the Transferor in proportion to their respective fractional entitlements. In case the number of such new shares to be allotted to a person authorized by the Board of the Transferee by virtue of consolidation of fractional entitlement is a fraction, it shall be rounded off to the next higher integer.

- (b) deal with such fractional entitlements in such other manner as they may deem to be in the best interests of the shareholders of the Transferor and the Transferee.

- 16.4 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Transferor, the Board of the Transferor shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer 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 the transferee of equity shares in the Transferor, after the effectiveness of this Scheme.
- 16.5 Without prejudice to the generality of Clause 16.1, the Transferor and the Transferee shall, if and to the extent required, apply for and obtain any approvals from concerned Appropriate Authorities and undertake necessary compliance for the issuance and allotment of the New Equity Shares.
- 16.6 The New Equity Shares shall be issued in dematerialized form to those shareholders who hold shares of the Transferor in dematerialized form, into the account in which shares of the Transferor are held or such other account as is intimated in writing by the shareholders to the Transferor and/ or its registrar provided such intimation has been received by the Transferor and/or its registrar at least 30 (thirty) days before the Record Date. All those shareholders who hold shares of the Transferor in physical form shall also have the option to receive the New Equity Shares, as the case may be, in dematerialized form provided the details of their account with the depository participant are intimated in writing to the Transferor and/ or its registrar provided such intimation has been received by the Transferor and/or its registrar at least 30 (thirty) days before the Record Date. If no such intimation is received from any shareholder who holds shares of the Transferor in physical form 30 (thirty) days before the Record Date, then the Transferee may allot physical shares to such shareholder.
- 16.7 The New Equity Shares to be issued by the Transferee, pursuant to Clause 16 in respect of any equity shares of the Transferor which are held in abeyance under the provisions of Section 126 of the Act or which the Transferee is unable to issue due to non-receipt of relevant approvals or due to Applicable Laws or otherwise shall, pending allotment or settlement of dispute by order of NCLT or any court or otherwise, be held in abeyance by the Transferee.
- 16.8 Upon the Scheme becoming effective, the issued, subscribed and paid-up share capital of the Transferee shall stand suitably increased consequent upon the issuance of the New Equity Shares in accordance with this Clause 16. Approval of this Scheme by the equity shareholders of the Transferee shall be deemed to be in due compliance of the provisions of Section 42 and Section 62 of the Act, and other relevant and applicable provisions of the Act and rules made thereunder for the issue



36

and allotment of the New Equity Shares as on the Record Date, as provided in this Scheme.

- 16.9 The New Equity Shares will be listed and/ or admitted to trading on the Stock Exchanges. The Transferee 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 the Transferee with the formalities of the Stock Exchanges. The New Equity Shares shall remain frozen in the depositories system till listing and trading permission is given by the designated stock exchange. There shall be no change in the shareholding pattern or control in the Transferee between the Record Date and the listing which may affect the status of approvals received from the Stock Exchanges, other than as provided in the Scheme.
- 16.10 The New Equity Shares may not be registered under the United States Securities Act, 1933, as amended (the “**Securities Act**”) and the Transferee may elect, in its sole discretion, to rely upon an exemption from the registration requirements of the Securities Act under Section 3(a)(10) thereof or any other exemption that the Transferee may elect to rely upon. In the event the Transferee elects to rely upon an exemption from the registration requirements of the Securities Act under Section 3(a)(10) thereof, the sanction of the NCLT to this Scheme will be relied upon for the purpose of qualifying the issuance and distribution of the New Equity Shares of the Transferee for such exemption.

17. CANCELLATION OF SHARE CAPITAL

- 17.1 Notwithstanding anything contained under the Act, pursuant to the provisions of Sections 230-232 of the Act, the existing shareholding of the Transferor in the Transferee shall stand cancelled without any further act, instrument or deed immediately following the issuance of the New Equity Shares in accordance with the Scheme.
- 17.2 The consequent reduction of share capital of the Transferee shall be an integral part of this Scheme and the Transferor and the Transferee shall not be required to follow the process under Section 66 of the Act or any other provisions of Applicable Law separately.
- 17.3 The reduction would not involve either a diminution of liability in respect of unpaid share capital, if any or payment to any shareholder of any unpaid share capital.

18. ACCOUNTING TREATMENT

18.1 In the books of the Transferor

Upon the coming into effect of this Scheme and with effect from the Appointed Date:

- (a) Upon coming into effect of this Scheme, the transfer of the Demerged Undertaking shall be accounted for in the books of the Transferor in accordance with the applicable accounting standards prescribed under Section 133 of the Act and/or as per generally accepted accounting principles.

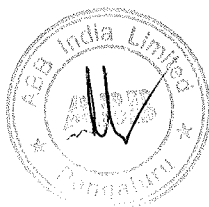


37

- (b) The Transferor, as on the Appointed Date shall reduce the carrying value of assets and liabilities as well as the reserves pertaining to the Demerged Undertaking at its carrying values. The reserves of the Demerged Undertaking will be computed based on the net assets of the Demerged Undertaking being transferred in proportion to the net assets of the Retained Business.
- (c) The book values, as on the Appointed Date, of net assets (assets minus liabilities) and reserves as computed in Clause 18.1 (b) above comprised in the Demerged Undertaking transferred to the Transferee shall be accounted for as follows:
- (i) In case the assets of the Demerged Undertaking transferred exceeds the liabilities and the reserves of the Demerged Undertaking so transferred, then such excess will be debited to the securities premium account and balance, if any will be debited to the capital reserve account.
- (ii) In case the liabilities and the reserves of the Demerged Undertaking exceeds the assets of the Demerged Undertaking so transferred, then such excess will be credited to the capital reserve account.
- (d) The adjustment/utilization of the securities premium account, if any, as stated in Clause 18.1 (c) above and reduction thereof will be effected as a part of the Scheme, in accordance with Section 52 of the Act and the Sanction Order shall be deemed to be also the order under the applicable provisions of the Act, for confirming the utilization / reduction of the securities premium account. The reduction in the securities premium account of the Transferor, shall be effected as an integral part of the Scheme, without any further act, instrument or deed on the part of the Transferor or its shareholders and without any approval or acknowledgment of any third party and provisions of Section 66 of the Act shall not require to be followed for such reduction. It is expressly clarified that the consent of the shareholders and the creditors of the Transferor to the Scheme shall be deemed to be sufficient for the purposes of effecting the above reduction of the securities premium account of the Transferor.

18.2 In the books of the Transferee

- (a) Upon coming into effect of this Scheme, transfer of the Demerged Undertaking shall be accounted for in the books of the Transferee using the pooling of interests method in accordance with Appendix C to Ind AS 103 – Business combinations of entities under common control.
- (b) Upon coming into effect of this Scheme, the Transferee shall record the assets and liabilities as well as the reserves, of the Demerged Undertaking vested in it pursuant to this Scheme, at their respective carrying values of the Transferor. The identity of the reserves shall be preserved and shall appear in the financial statements of the Transferee in the same form in which they appeared in the financial statements of the Transferor.



38

- (c) The Transferee shall credit to its share capital, and record the New Equity Shares issued and allotted by it pursuant to Clause 16 of the Scheme at par value.
- (d) The excess, if any, between the carrying value of assets, liabilities and reserve balances under Clause 18.2 (b) above transferred to the Transferee and the consideration discharged by way of the New Equity Shares issued as per Clause 18.2 (c) above to the shareholders of the Transferor in lieu of the Demerged Undertaking shall be recorded as capital reserve in the books of the Transferee.
- (e) The deficit, if any, between the carrying value of assets, liabilities and reserves under Clause 18.2 (b) above transferred to the Transferee and the consideration discharged by way of the New Equity Shares issued as per Clause 18.2 (c) above to the shareholders of the Transferor in lieu of the Demerged Undertaking shall be recorded as 'Amalgamation Adjustment Deficit Account' in the books of the Transferee which is in the nature of debit balance in profit and loss account.
- (f) In case of any difference in the accounting policy between the Transferee and the Demerged Undertaking of the Transferor, the impact of the same will be quantified and adjusted in the capital reserve / Amalgamation Adjustment Deficit Account as applicable of the Transferee to ensure that the financial statement of the Transferee reflect the financial position on the basis of consistent accounting policy.

19. CONDUCT OF BUSINESS UPTO THE EFFECTIVE DATE

- 19.1 From the Appointed Date, the Transferor shall be deemed to have been carrying on and shall carry on its business and activities relating to the Demerged Undertaking and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all its Estates, properties, rights, title, interest, authorities, contracts and investments and assets forming part of the Demerged Undertaking for and on account of and in trust for the Transferee.
- 19.2 The Transferor undertakes that from the Appointed Date until the Effective Date, it will preserve and carry on the business of the Demerged Undertaking with diligence and in the ordinary course. From the Appointed Date until the Effective Date, the Transferor shall not, except with the prior consent of the Transferee, materially alter the terms of employment of the Transferred Employees or terminate any Transferred Employees except in accordance with their respective employment contracts.
- 19.3 Without prejudice to the generality of Clause 19.2, neither the Transferor nor the Transferee shall take, enter into, perform or undertake, as applicable: (i) any material decision in relation to its business and affairs and operations as forming part of, in case of the Transferor, the Power Grids Business and in case of the Transferee, to its entire business; and (ii) any agreement or transaction, which is not in the ordinary course of business as carried on by it as on March 5, 2019, without the prior written consent of the Board of the other company or except as mutually agreed between the Transferor and the Transferee in writing.



39

- 19.4 All the profits or income accruing or arising to the Transferor and expenditure or losses arising or incurred or suffered by the Transferor which form part of Demerged Undertaking, for the period commencing from the Appointed Date shall, for all purposes be treated and be deemed to be accrued as the income or profits or losses or expenditure as the case may be of the Transferee.
- 19.5 Upon the Scheme becoming effective and with effect from the Appointed Date, any of the rights, powers, authorities or privileges attached, related or forming part of the Demerged Undertaking, exercised by the Transferor shall be deemed to have been exercised by the Transferor for and on behalf of, and in trust for the Transferee. Similarly, any of the obligations, duties and commitments attached, related or forming part of the Demerged Undertaking that have been undertaken or discharged by the Transferor shall be deemed to have been undertaken/ discharged for and on behalf of the Transferee.
- 19.6 The Transferor and the Transferee shall be entitled, pending sanction of the Scheme, to apply to all Appropriate Authorities concerned as are necessary under any Applicable Law for such consents, approvals and sanctions, which may be required in connection with this Scheme.
- 19.7 With effect from the Effective Date, the Transferee shall commence and carry on and shall be authorized to carry on the Power Grids Business which was earlier carried on by the Transferor.

PART D - GENERAL TERMS AND CONDITIONS

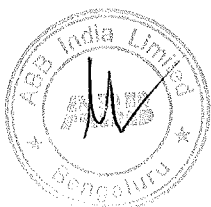
20. AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE TRANSFEE

20.1 Increase of authorised share capital

- (a) As an integral part of Scheme, and, upon coming into effect of the Scheme, the authorized share capital of the Transferee shall stand suitably increased, without any further act, instrument or deed on the part of the Transferee for the purpose of issue of shares as per Clause 16, as on the Effective Date such that upon the effectiveness of the Scheme, the authorised share capital of the Transferee shall be Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 5,00,00,000 (Five Crore) equity shares of Rs. 2/- (Rupees Two only) each. Clause 5 of the memorandum of association of the Transferee shall be altered as set out below, upon coming into effect of the Scheme and without any further act or deed:

"5. The authorized share capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 5,00,00,000 (Five Crore) equity shares of Rs. 2/- (Rupees Two only) each."

- (b) As an integral part of the Scheme, and upon coming into effect of the Scheme, the articles of association of the Transferee shall stand amended and reinstated to replicate the articles of a listed company and in such form as the Board of the Transferee may determine.



40

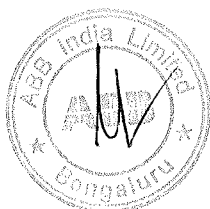
- (c) Pursuant to this Scheme, the Transferee shall file the requisite forms with the Registrar of Companies for alteration of its authorized share capital.
- (d) The amendments pursuant to this Clause 20 shall become operative on the Scheme becoming effective by virtue of the fact that the shareholders of the Transferee, while approving the Scheme as a whole, have approved and accorded the relevant consents as required under the Act for amendment of the memorandum and articles of association of the Transferee and shall not be required to pass separate resolutions under the applicable provisions of the Act.
- (e) It is hereby clarified that for the purposes of this Clause 20, the consent of the shareholders of the Transferee to the Scheme shall be deemed to be sufficient for the purposes of effecting the above amendment or increase in authorised share capital of the Transferee, and no further resolution under Section 13, Section 14, Section 42, Section 61, Section 62 and Section 64 of the Act or any other applicable provisions of the Act, would be required to be separately passed.

20.2 Issue and allotment of securities

- (a) Where any securities are to be allotted to the heirs, executors, administrators, legal representatives or other successors in title, as the case may be, of any security holders, the concerned heirs, executors, administrators, legal representatives or other successors in title shall be obliged to produce evidence of title, satisfactory to the Board of the Transferee as a condition to such allotment.
- (b) In the event of there being any pending share transfer, whether lodged or outstanding, of any member of the Transferor, the Board of the Transferor shall be empowered even subsequent to the Effective Date, to effectuate such transfer as if such changes in the registered holder were operative from the Effective Date, in order to remove any difficulties arising to the transferor or the transferee of equity shares in the Transferor after the Scheme becomes effective. The Boards of the Transferor and Transferee, jointly, shall be empowered to remove such difficulties as may arise in the course of implementation of this Scheme and registration of new shareholders in the Transferee, on account of difficulties faced in the transaction period.

21. CHANGE IN CAPITAL STRUCTURE OF THE TRANSFEROR/ TRANSFEE

- 21.1 Without prejudice to the generality of this Scheme, during the period between the date of approval of the Scheme by the respective Boards and up to and including the date of allotment of the New Equity Shares pursuant to this Scheme, neither the Transferor nor the Transferee shall make any change in its capital structure, whether by way of increase (including by issue of equity shares on a rights basis, issue of bonus shares) decrease, reduction, reclassification, sub-division or consolidation, re-organisation of share capital, or in any other manner which may, in any way,



41

affect the issuance of the New Equity Shares as per Clause 16, except under any of the following circumstances:

- (a) by mutual written consent of the respective Boards of the Transferor and the Transferee; or
- (b) as may be expressly permitted under this Scheme.

21.2 In the event of any such change in share capital of the Transferor or the Transferee before the issuance of the New Equity Shares to the shareholders of the Transferor pursuant to Clause 16, the Share Entitlement Ratio shall be appropriately adjusted to take into account the effect of such issuance or corporate actions.

22. APPLICATION TO NCLT

22.1 The Transferor and the Transferee shall, without undue delay, make all necessary applications to SEBI/ Stock Exchanges in connection with the Scheme and make applications and petitions to NCLT for sanctioning this Scheme under Sections 230-232 of the Act and other applicable provisions of the Act, including seeking such orders for convening and holding or alternatively, dispensing with requirements for convening and holding meetings of the shareholders and/ or creditors of the Transferor and Transferee as may be directed by the NCLT and obtain such other approvals, as required by Applicable Law.

22.2 The Transferor and the Transferee shall be entitled, pending the effectiveness of the Scheme, to apply to any Appropriate Authority, if required, under any Applicable Law for such consents and approvals, as agreed between the Transferor and the Transferee, which the Transferor and the Transferee may be required to effect the transactions contemplated under the Scheme or carry on the Power Grids Business, in any case subject to the terms as may be mutually agreed between the Transferor and the Transferee.

23. MODIFICATION OR AMENDMENTS TO THE SCHEME

23.1 Any modifications/ amendments or additions/ deletions to the Scheme may only be made with the approval of the respective Boards of the Transferor and the Transferee. The aforesaid powers of the Transferor and the Transferee to give effect to the modification/ amendments to the Scheme may be exercised subject to approval of NCLT or any other Appropriate Authorities as may be required under Applicable Law.

23.2 The Transferor and the Transferee agree that if, at any time, either of the NCLT or any Appropriate Authority directs or requires any modification or amendment of the Scheme, such modification or amendment shall not, to the extent it adversely affects the interests of the Transferor and /or the Transferee, be binding on the Transferor and the Transferee, as the case may be, except where the prior written consent of the affected party i.e. the Transferor and /or the Transferee, as the case may be, has been obtained for such modification or amendment, which consent shall not be unreasonably withheld by the Transferor and the Transferee, as the case may be.



42

- 23.3 If the Transferor and the Transferee are desirous of making any material modification to the provisions of the Scheme after receipt of approval of SEBI to the Scheme, such modification shall be subject to approval of SEBI of such modification or any further modifications as may be required by SEBI.
- 23.4 Either the Transferor or the Transferee (acting through its Board) may, in their full and absolute discretion, jointly and as mutually agreed in writing, modify, vary or withdraw this Scheme at any time prior to the Effective Date in any manner, provided that any modification to or variation or withdrawal of the Scheme by the Transferor and the Transferee, after receipt of sanction by the NCLT, shall be made only with the prior approval of the NCLT.
- 23.5 The Transferor and the Transferee (through their respective Boards) shall determine jointly whether any asset, liability, employee, legal or other proceedings forms part of the Power Grids Business or not, on the basis of any evidence that they may deem relevant for this purpose. The determination by the Boards of the Transferor and the Transferee in this regard shall be final.

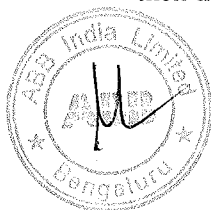
24. CONDITIONALITY OF THE SCHEME

This Scheme is conditional upon and subject to:

- (a) the Scheme being approved by the respective requisite majorities of the shareholders and/ or creditors (wherever applicable) of the Transferor and the Transferee as required under the Act;
- (b) receipt of approvals of the relevant Stock Exchanges where the equity shares of the Transferor are listed and traded, and SEBI, in terms of paragraph 2 of SEBI Scheme Circular read with paragraph I. B (4) and I. C (2) of Annexure I to the SEBI Scheme Circular;
- (c) the receipt or waiver (where permissible) of any approvals from third parties mutually agreed by the Transferor and the Transferee as being required for completion of the Demerger;
- (d) the Scheme being sanctioned by the NCLT in terms of Sections 230-232 and other relevant provisions of the Act; and
- (e) the certified copies of the Sanction Order(s) of NCLT sanctioning this Scheme being filed with the Registrar of Companies by the Transferor and Transferee.

25. EFFECT OF NON-RECEIPT OF APPROVALS

- 25.1 If any of the sanctions and approvals referred to in Clause 24 are not obtained (or to the extent permissible under Applicable Law, waived) and/ or the Scheme is not sanctioned by NCLT or the Sanction Order(s) is not passed by the NCLT as aforesaid on or prior to December 31, 2019, or within such further period as may be agreed upon between the respective Boards of the Transferor and Transferee, the Boards of the Transferor and the Transferee may opt to terminate this Scheme and then in such cases, the Scheme shall stand terminated, revoked, cancelled and be



43

null and void and of no effect and the Transferor and the Transferee, if required, may file appropriate proceedings before the NCLT in this respect.

- 25.2 Upon the termination, revocation or cancellation of this Scheme as set out in Clause 25.1, no rights and liabilities shall accrue to or be incurred by the Transferor and the Transferee or their shareholders or creditors or employees or any other person. In such case, each of the Transferor and the Transferee shall bear its own costs and expenses or as may be otherwise mutually agreed.

26. REMOVAL OF DIFFICULTIES

The Transferor and the Transferee through mutual consent and acting through their respective Boards, jointly and as mutually agreed in writing may:

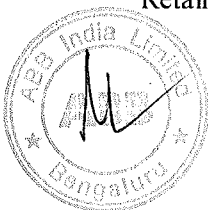
- (a) give such directions (acting jointly) and agree to take steps, as may be necessary, desirable or proper, to resolve all doubts, difficulties or questions arising under this Scheme, whether by reason of any orders of NCLT or of any directive or orders of any Appropriate Authority, under or by virtue of this Scheme in relation to the arrangement contemplated in this Scheme and/or matters concerning or connected therewith or in regard to and of the meaning or interpretation of this Scheme or implementation thereof or in any manner whatsoever connected therewith, or to review the position relating to the satisfaction of various conditions of this Scheme and if necessary, to waive any of those to the extent permissible under Applicable Law; and
- (b) do all such acts, deeds and things as may be necessary, desirable or expedient for carrying the Scheme into effect.

27. RESIDUAL PROVISIONS

Upon this Scheme becoming effective, the accounts of the Transferor and the Transferee, as on the Appointed Date shall be reconstructed in accordance with the terms of this Scheme.

28. RETRANSFER IN CERTAIN CASES

- 28.1 Subject to Clause 10.5, no part of the Demerged Undertaking shall be retained by the Transferor after the Effective Date pursuant to the Demerger. If any part of the Demerged Undertaking is inadvertently retained by the Transferor after the Effective Date, the Transferor shall take such actions as may be reasonably required to ensure that such part of the Demerged Undertaking is transferred to the Transferee promptly and for no further consideration. The Transferor shall bear all costs and expenses as may be required to be incurred by the Transferor, subject to the prior written consent of the Transferee, for giving effect to this Clause.
- 28.2 No part of the Retained Business shall be transferred to the Transferee after the Effective Date pursuant to the Demerger. If any part of the Retained Business is inadvertently held by the Transferee after the Effective Date, the Transferee shall take such actions as may be reasonably required to ensure that such part of the Retained Business is transferred back to the Transferor, promptly and for no



44

consideration. The Transferee shall bear all costs and expenses as may be incurred by each of the Transferor or the Transferee for giving effect to this Clause.

- 28.3 If the Transferor realizes any amounts after the Effective Date that form part of the Demerged Undertaking, it shall immediately make payment of such amounts to the Transferee. It is clarified that all receivables relating to the Demerged Undertaking, for the period prior to the Effective Date, but received after the Effective Date, relate to the Demerged Undertaking and shall be paid to the Transferee for no additional consideration. If the Transferee realizes any amounts after the Effective Date that pertains to the Retained Business, the Transferee shall immediately pay such amounts to the Transferor.

29. COSTS, CHARGES & EXPENSES

The Transferor and the Transferee shall bear all costs, charges and expenses, in relation to or in connection with or incidental to this Scheme including, without limitation, stamp duty, registration charges and other transfer charges in relation to the Scheme and the matters contemplated herein in equal proportion.

