

# Himatsingka Seide Limited

10/24, Kumara Krupa Road, High Grounds, Bangalore - 560 001, India.

July 31, 2018

BSE Ltd  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai - 400 001

National Stock Exchange of India Ltd  
Exchange Plaza, 5<sup>th</sup> Floor, Plot No. C/1  
G Block, Bandra-Kurla Complex, Bandra (E)  
Mumbai - 400 051

Dear Sirs,

**Sub: Disclosure under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we enclose herewith the Notice in Form CAA-09 pursuant to section 233(1)(a) of the Companies Act, 2013 and draft Scheme of Arrangement proposed to be entered by the Company with its wholly owned subsidiary Himatsingka Wovens Private Limited ("Demerged Company") whereunder the retail business division of the Demerged Company is proposed to be transferred to the Transferee Company by way of a demerger.

Please acknowledge receipt of the same.

Thanking you,

Yours faithfully,  
For Himatsingka Seide Limited



Ashok Sharma  
Sr. Vice President - Finance & CFO  
(Strategic Finance) & Company Secretary

Encl: as above

# Himatsingka Seide Limited

10/24, Kumara Krupa Road, High Grounds, Bangalore - 560 001, India.

## Notice of the scheme inviting objections or suggestions

Notice is hereby given by Himatsingka Seide Limited (“**Transferee Company**”) that a scheme of arrangement is proposed to be entered with its wholly owned subsidiary Himatsingka Wovens Private Limited (“**Demerged Company**”) whereunder the retail business division of the Demerged Company is proposed to be transferred to the Transferee Company by way of a demerger. In pursuance of sub-section (1)(a) of Section 233 of the Companies Act, 2013, objections or suggestions are invited in respect of the scheme.

A copy of the scheme of demerger is enclosed.

Objections or suggestions are invited from:

- (i) the Registrar of Companies, Karnataka;
- (ii) the National Stock Exchange;
- (iii) the Bombay Stock Exchange;
- (iv) The Securities and Exchange Board of India;

Any person mentioned in (i), (ii), (iii) or (iv) above, desirous of providing objections or suggestions in respect of the scheme should send their objections or suggestions within thirty days from the date of this notice to the Regional Director, South East Region, having office at 3rd Floor, Corporate Bhawan, Bandlaguda, Nagole, Tattiannaram Village, Hayat Nagar Mandal, Ranga Reddy District, Hyderabad-500 068, Telengana and Ashok Sharma, Company Secretary 10/24, Kumara Krupa Road, High Grounds, Bengaluru – 560001 being authorised representative of the Transferee Company.

Date : 31/07/2018

Place : Bengaluru



Ashok Sharma

**Sr. Vice President - Finance & CFO**  
**(Strategic Finance) & Company Secretary**

Enclosure: A copy of the scheme of demerger

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**Scheme of Arrangement**  
**Between**  
**Himatsingka Wovens Private Limited**  
**And**  
**Himatsingka Seide Limited**  
**And**  
**Their Respective Shareholders**

**Under Section 233 read with section 230 of the Companies Act, 2013 and other appropriate provisions and rules framed thereunder.**

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This Scheme of Arrangement is presented pursuant to Section 233 and other applicable provisions of the Companies Act, 2013 for demerger of the retail business division (“**Demerged Undertaking**”) of Himatsingka Wovens Private Limited (“**Demerged Company**” or “**Transferor Company**”) into Himatsingka Seide Limited (“**Resulting Company**” or “**Transferee Company**”).

The Scheme is divided into the following parts:

- i) **PART I** – Introduction and objectives of the Scheme.
- ii) **PART II** –Definitions and details of share capital.
- iii) **PART III** – Scheme of Arrangement of Himatsingka Wovens Private Limited and Himatsingka Seide Limited.
- iv) **PART IV**- Remaining Business of the Demerged Company



- v) **PART V** - General terms and conditions.

## **PART I**

### **Introduction and Objective of the Scheme**

#### **I. INTRODUCTION**

##### **Resulting Company or Transferee Company -Himatsingka Seide Limited**

Himatsingka Siede Limited (“**Resulting Company**” or “**Transferee Company**”) is a company incorporated under the Companies Act, 1956 having its registered office at 10/24, Kumarakrupa Road, High Grounds, Bangalore – 560001. The Transferee Company was incorporated on 23<sup>rd</sup> January, 1985 with CIN L17112KA1985PLC006647. The shares of the Transferee Company are listed on the stock exchanges.

The Transferee Company is a vertically integrated home textile major that designs, develops, manufactures, retails, and distributes home textile products.

##### **Demerged Company or Transferor Company - Himatsingka Wovens Private Limited**

Himatsingka Wovens Private Limited (“**Demerged Company**” or “**Transferor Company**”) is a company incorporated under the Companies Act, 1956 having its registered office at 10/24, Kumarakrupa Road, High Grounds, Bangalore – 560001, Karnataka, India. The Demerged Company was incorporated on April 5, 1995 with CIN U17116KA1995PTC017552.

The Demerged Company was set up to carry on the business of buying, selling, importing, retailing, dealing, exporting, manufacturing of textile goods and fabrics.

#### **II. OBJECTIVES OF THE SCHEME**

The circumstances that have necessitated or justified the proposed Scheme and its main benefits are, *inter alia*, summarised as under:

- (i) The Board of Directors of both the companies intend to bring the retail businesses of the Demerged Company and the Transferee Company under one



entity, since they recognize the fact that combining both the business divisions will enable the Transferee Company to optimize the utilization of the specialized skills and knowledge, cash flow profiles, and operational and training requirement. In this scenario, the Board of Directors of both the companies are of the view that it would be better to demerge the retail business division of the Demerged Company into the Transferee Company and additionally take advantage of the economies arising out of integration of the textile business under one entity. The demerger would also result in streamlining and realigning the current holding structure and eliminate multi-layered shareholding structure.

- (ii) This arrangement will help in optimal utilization of resources, operations on economies of scale, achieve cost savings, reduction in multiplicity of legal and regulatory compliances, and would aid rationalization, simplify business process and optimize resources and administrative expenses and provide focused leadership and management attention on the retail business activity of the group and to bring about operation synergies in the business operations.
- (iii) Overall, the Scheme of Arrangement is intended to consolidate group business and operations to enable better and more efficient management, control and running of its various businesses and offering opportunities to the management of both the companies to vigorously pursue growth and expansion. The Scheme of Arrangement will lead to the emergence of a fully integrated single entity positioned to provide more extensive and integrated retail services in the textile sector.
- (iv) The Scheme of Arrangement would result in enhanced potential for increase in revenues and profits over time for the Transferee company and its members. The demerger would provide synergistic linkages besides economies in costs and other benefits resulting from the economies of scale, by combining the businesses (including specific industry expertise thereto) and thus contribute to the profitability over time of the Transferee company by rationalization of management and administrative structure.



## PART – II

### Dealing with Definitions and Share Capitals

#### 1. DEFINITIONS

- 1.1 **“Act”** means the Companies Act, 2013 and shall include any statutory modifications, re-enactment or amendment thereof.
- 1.2 **“Appointed Date”** means March 30, 2018 or such other date as may be approved by the Regional Director or such other authority as may have jurisdiction under the Act to sanction the scheme.
- 1.3 **“Authority”** shall mean the Regional Director, South East Region, Ministry of Corporate Affairs or such other authority having jurisdiction under the Act to sanction the Scheme;
- 1.4 **“Companies”** collectively mean the Demerged Company and the Transferee Company.
- 1.5 **“Demerged Company” or “Transferor Company”** means Himatsingka Wovens Private Limited, a company incorporated under the provisions of the Companies Act, 1956 and having its registered office situated at 10/24, Kumarakrupa Road, High Grounds, Bangalore – 560001, Karnataka, India.
- 1.6 **“Demerged Undertaking”** means the retail business division of Demerged Company which is being transferred to the Transferee Company, as laid out in Part A of Schedule I of the Scheme. Demerged Undertaking shall include (without limitation):
- (a) All assets wherever situated, whether movable or immovable, leasehold or freehold, tangible or intangible, including all plant and machinery, installations, equipments, capital work-in-progress, vehicles, furniture, fixtures, office equipment, computer installations, electrical appliances, accessories, investments, including stocks, receivables, goodwill, industrial and other licenses and rights, brand names, software products, design, developments, tools, operating systems, trademarks and other industrial property rights, leases and tenancy rights, other interests, rights or powers of every kind, nature and description whatsoever pertaining to



or relating to the Demerged Undertaking but excluding any land or building;

- (b) All liabilities present and future and the contingent liabilities pertaining to or relating to the Demerged Undertaking, if any;
- (c) All rights and licenses, all assignments and grants thereof, all permits, approvals, registrations, notifications, quota rights, import quotas, rights (including rights under any agreement, contracts, applications, letters of intent, or any other contracts), subsidies, grants, tax credits and losses, incentives or schemes of Central /State Governments, quality certifications and approvals (both Indian and foreign), product registrations (both Indian and foreign), regulatory approvals, entitlements, industrial and other licenses, the registrations / benefits under various schemes and such other schemes, registrations/approvals/licenses from the Central Government, any State Government, any local authority, Customs, Central Excise, Service tax, Sales Tax, VAT, GST, Local Body Tax (LBT), etc. municipal permissions, goodwill, approvals, sanctions, NOCs, consents, tenancies, if any, in relation to the project and/or residential properties for the employees, investments and/or interest (whether vested, contingent or otherwise) in projects undertaken by the Demerged Undertaking, either solely or jointly with other parties, cash balances, bank balances, bank accounts, deposits, advances, recoverable, receivables, easements, advantages, financial assets, hire purchase and lease arrangements, the benefits of bank guarantees issued by the Demerged Company in relation to the Demerged Undertaking, privileges, all other claims, rights and benefits (including under any powers of attorney issued by the Demerged Company in relation to the Demerged Undertaking or any powers of attorney issued in favour of the Demerged Company or from or by virtue of any proceeding before a legal, quasi-judicial authority or any other statutory authority to which the Demerged Company was party), powers and facilities of every kind, nature and description whatsoever, right to use



and avail of telephones, telexes, facsimile connections and installations, utilities, electricity, water and other services, provisions, funds, benefits of all agreements, contracts and arrangements and all other interests, in connection with or relating to the Demerged Undertaking;

- (d) All deposits and balances with Government, semi-Government, local and other authorities and bodies, customers and other persons, earnest monies and/or security deposits paid or received by the Demerged Company, directly or indirectly in connection with or in relation to the business of the Demerged Undertaking;
- (e) All books, records, files, papers, product specifications and process information records, standard operating procedures, computer programmes along with their licenses, manuals and back-up copies, drawings, other manuals, data catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records whether in physical or electronic form, directly or indirectly in connection with or relating to the business of the Demerged Undertaking;
- (f) All trademarks, trade names, patents and domain names, copyrights, industrial designs, licenses, trade secrets, product registrations and other intellectual property and all other interests exclusively relating to the goods or services being dealt with by the business of the Demerged Undertaking but shall not include any assets or liabilities relating to the Remaining Business of the Demerged Company;
- (g) Amounts claimed by or due to the Demerged Company from any government or taxing or statutory / local / municipal authority in relation to refund of any tax, duty, cess or any excess payment including interest claims thereunder pertaining to the Demerged Undertaking;





- (h) Right to any claim not preferred or made by the Demerged Company in respect of any refund of tax, duty, cess, set-off, or any other tax benefits including interest claims thereto;
- (i) Investment of the Demerged Company in the shares of Himatsingka Singapore Pte. Limited, an entity based in Singapore, which was undertaken to expand the retail business of the Demerged Company in Singapore.

It is intended that the definition of the Demerged Undertaking under this clause would enable the transfer of all properties, assets and liabilities of the Demerged Company as per Part A of Schedule-I comprising of the retail business division, on a going concern basis to the Transferee Company pursuant to the Scheme. The Demerged Undertaking will however, exclude the assets detailed in Part B of Schedule 1, which will continue to remain with the Demerged Company.

- 1.7 **“Effective Date”** means the date on which the certified copies of order/s sanctioning the Scheme passed by the Authority under Section 233 of the Act is duly filed with the Registrar of Companies, Karnataka.
- 1.8 **“Remaining Undertaking” or “Remaining Business”** means all the assets, liabilities, activities and operations of the Demerged Company other than the assets and liabilities of the Demerged Undertaking as mentioned above in Clause 1.6.
- 1.9 **“Resulting Company or Transferee Company”** means Himatsingka Seide Limited, a company incorporated under the provisions of the Companies Act, 1956 and having its registered office situated at 10/24, Kumarakrupa Road, High Grounds, Bangalore – 560001, Karnataka, India.
- 1.10 **“Scheme”** means the Scheme of Arrangement as set out herein in its present form, or with any modification(s) approved or imposed or directed by the Authority or such other authority having jurisdiction over the companies in respect of the scheme, as the case may be.



## 2. OPERATIVE DATE

The Scheme set out herein in its present form with any modification(s) approved or imposed or directed by the Authority shall be operative from the Effective Date but shall be deemed to be effective from the Appointed Date.

## 3. BACKGROUND

3.1 The share capital of the Transferee Company as of March 31, 2018 is as follows:

Particulars	Amount in Rs.
<b>Authorized Share Capital</b>	
13,40,00,000 equity shares of Rs.5 each	67,00,00,000
<b>Issued share capital</b>	
9,84,96,160 equity shares of Rs. 5 each	49,24,80,800
<b>Subscribed and paid-up share capital</b>	
98,457,160 equity shares of Rs.5 each	49,22,85,800

3.2 The authorised, issued, subscribed and paid up share capital of the Demerged Company as of March 31<sup>st</sup> 2018 is Rs.17,50,00,000/- comprising of 1,750,000 equity shares of Rs.100 each.

3.3 The Demerged Company is the wholly owned subsidiary of the Transferee Company.



### PART – III

#### Scheme of arrangement of Himatsingka Wovens Private Limited and Himatsingka Seide Limited

4. The demerger of the Demerged Undertaking of the Demerged Company into the Transferee Company under this Scheme of Arrangement will be effected under the provisions of Section 233 of the Act. This Scheme has been drawn up to comply with the conditions relating to “Demerger” as specified under Section 2(19AA) read with provisions of Section 47 of the Income Tax Act, 1961 such that:
  - 4.1 All the properties of the Demerged Undertaking being held by the Demerged Company (excluding the assets in Part B of Schedule 1 to this Scheme) immediately before the demerger, becomes the properties of the Transferee Company by virtue of the demerger;
  - 4.2 All the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company, immediately before the demerger, becomes the liabilities of the Transferee Company by virtue of the demerger;
  - 4.3 The properties and the liabilities, if any, relatable to the Demerged Undertaking being transferred by the Demerged Company are transferred to Transferee Company at values appearing in the books of the Demerged Company on the Appointed Date;
  - 4.4 Since the Transferor Company is the wholly owned subsidiary of the Transferee Company and hold the entire share capital of Demerged Company by itself and its nominees, upon the Scheme being sanctioned, there will be no issue and allotment of shares of the Transferee Company as a consideration for the transfer of the Demerged Undertaking.
  - 4.5 The transfer of the Demerged Undertaking to the Transferee Company will be on a going concern basis.

If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the above provisions at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said section of the Income-Tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent



determined necessary to comply with conditions contained in Section 2(19AA) of the Income Tax Act, 1961. Such modification will however not affect other parts of the Scheme.

## 5. TRANSFER OF ASSETS

- 5.1 With effect from the Appointed Date, the entire business and undertaking comprising of the business activities together with all the assets of the Demerged Undertaking comprising amongst others, all plant and machinery, installations, capital work-in-progress, vehicles, investments, stocks, receivables, goodwill, furniture and fixtures, computers, lab equipments, apparatus, servers and networking equipment, office equipment, electrical installations, telephones, facsimile and other communication facilities and business licenses, trademarks, patents, permits, authorizations, if any, rights and benefits of all agreements and all other interests, rights and powers of every kind, nature and description whatsoever, privileges, liberties, easements, advantages, benefits and approvals, shall without further act or deed, but subject to the charges affecting the same be transferred and/or deemed to be transferred to and vested in the Transferee Company so as to become the properties of Transferee Company.
- 5.2 All assets and properties of the Demerged Undertaking which are moveable in nature, including investments, or are otherwise capable of transfer by physical delivery or by endorsement and delivery, shall be so transferred by the Demerged Company, without requiring any deed or instrument of conveyance for the same and shall become the property of the Transferee Company.
- 5.3 The assets of the Demerged Company detailed in Part B of Schedule 1 to this Scheme shall continue to remain with the Demerged Company and shall not be transferred to the Transferee Company pursuant to the demerger.

## 6. TRANSFER OF LIABILITIES

With effect from the Appointed Date, all the debts, liabilities, contingent liabilities, duties and obligations and any accretions and additions or reductions thereto of the Demerged Undertaking shall deemed to be transferred to and vested in the Transferee Company so as to become the liabilities of the Transferee Company.



**7. TRANSFER OF THE DEMERGED UNDERTAKING ON A GOING CONCERN BASIS**

7.1 With effect from the Appointed Date, the Demerged Undertaking of the Demerged Company would be transferred on a going concern basis to the Transferee Company.

7.2 In the event of any doubt on which of the assets, contracts and employees belong to the Demerger Undertaking, the Board of Directors of the Demerged Company shall decide on the same and whose decision will be final and binding on the Demerged Company and the Transferee Company.

**8. APPOINTED DATE**

8.1 The transfer of property and liabilities and the continuance of proceedings by the Demerged Company under clauses 4, 5 and 6 above shall not affect any transaction or proceedings already concluded by Demerged Company on or after the Appointed Date till the Effective Date to the end and intent that Transferee Company accepts and adopts all acts, deeds and things done and executed by Demerged Company in regard thereto as done and executed by Transferee Company on behalf of itself. Furthermore, as from the Appointed Date, Demerged Company shall be deemed to have carried on and to be carrying on its business on behalf of and in trust for Transferee Company until such time as the Scheme takes effect.

8.2 It is clarified that all debts, liabilities, contingent liabilities, duties and obligations of the Demerged Undertaking, as on the Appointed Date whether provided for or not in the books of accounts of the Demerged Company and all other liabilities which may accrue or arise after the Appointed Date but which relates to the period on or up to the day of the Appointed Date, shall be the debts, liabilities, duties and obligations of Transferee Company including any encumbrance on the assets of Demerged Company or on any income earned from those assets.

**9. TRANSFER OF EMPLOYEES**

9.1 Upon the coming into effect of this Scheme, all employees substantially engaged with the Demerged Undertaking as on such date shall become the employees of the Transferee Company, and, subject to the provisions hereof, on terms and conditions



not less favourable than those on which they are engaged by the Demerged Company, without any interruption of service as a result of the demerger of Demerged Company into the Transferee Company.

9.2 The Transferee Company agrees that the services of all employees with the Transferor Company prior to the transfer, as aforesaid, shall be taken into account for the purpose of all benefits to which the said employees may be eligible, including in relation to the level of remuneration and contractual and statutory benefits, incentive plans, terminal benefits, gratuity plans, provident fund schemes, superannuation plans and other retirement benefits and accordingly, shall be reckoned from the date of their respective appointment in the Transferor Company .

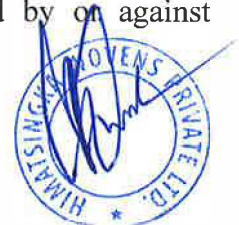
9.3 Upon the Scheme coming into effect, the accounts of the employees, who are employed by Demerged Company, relating to Provident Fund, Gratuity Fund and Pension and/or Superannuation Fund and any other Fund, shall be identified, determined and transferred to the respective funds of Transferee Company and the employees shall be deemed to have become members of such trusts/funds of Transferee Company. .

## 10. **LEGAL PROCEEDINGS**

10.1 All legal proceedings of whatsoever nature by or against in regard to the Demerged Undertaking pending and/or arising at the Appointed Date or its properties, assets, debts, liabilities, duties and obligations referred to in clause 4, 5 and 6 shall be continued and/or enforced until the Effective Date as desired by the Transferee Company and as and from the Effective Date shall be continued and enforced by or against Transferee Company in the manner and to the same extent as would or might have been continued and enforced by or against the Demerged Undertaking.

## 11. **CONTRACTS, DEEDS, ETC.**

11.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature, relating to which the Demerged Undertaking of the Transferor Company is a party and is subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of Transferee Company, as the case may be, and may be enforced by or against





Transferee Company as fully and eventually as if, instead of the Demerged Company, the Transferee Company had been a party thereto. The Transferee Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which Transferor Company will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required. Further, Transferee Company shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of Demerged Company and to implement or carry out all formalities required on the part of the Demerged Undertaking of Demerged Company to give effect to the provisions of this Scheme.

## 12. **TRANSACTIONS BETWEEN APPOINTED DATE AND EFFECTIVE DATE**

### 12.1 With effect from the Appointed Date and up to the Effective Date.

- (i) The Demerged Company shall carry on and be deemed to have carried on the business and activities in relation to the Demerged Undertaking and shall be deemed to have held and stood possessed of and shall hold and stand possessed of the Demerged Undertaking for and on account of and in trust for the Transferee company. The Demerged Company undertakes to hold its said assets with utmost prudence until the Effective Date.
- (ii) All the profits or income accruing or arising to the Demerged Company or expenditure or losses arising or incurred by the Demerged Company in relation to the Demerged Undertaking shall for all purposes be treated and deemed to be and accrue as the profits or income or expenditure or losses (as the case may be) of the Transferee company; and
- (iii) The Demerged Company shall carry on its business and activities with reasonable diligence and business prudence and shall not, except in the ordinary course of business or without prior written consent of the Resulting Company, alienate, charge, mortgage, encumber or otherwise deal with or dispose of any business or part, pertaining to the Demerged Undertaking of the Demerged Company, thereof.



- (iv) The Demerged Company shall not vary the terms and conditions of employment of any of their employees, pertaining to the Demerged Undertaking of the Demerged Company, except in the ordinary course of business or without the prior consent of the Resulting Company or pursuant to any pre-existing obligation undertaken by them, as the case may be, prior to the Appointed Date.
- (v) The Transferee Company shall be entitled, pending the sanction of the Scheme, to apply to the Central Government and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which Transferee Company may require to carry on the business of the Demerged Undertaking.
- (vi) All accretions and depletions to the Demerged Undertaking shall be for and on account of the Resulting Company.
- (vii) With effect from the Effective Date, the Resulting Company shall commence and carry on and shall be authorized to carry on the business carried on by the Demerged Undertaking of the Demerged Company in addition to the business of the Resulting Company.
- (viii) The Demerged Company shall not utilize the profits or income of Demerged Undertaking, if any, for the purpose of declaring or paying any dividend or for any other purpose except in the ordinary course of Demerged Undertaking, without the prior written consent of the Resulting Company.

### 13. **CONSIDERATION AND ISSUE OF SHARES**

Since the Transferee Company hold the entire share capital of Demerged Company by itself and its nominees, upon the Scheme being sanctioned, there will be no issue and allotment of shares of the Transferee Company as a consideration for the transfer of the Demerged Undertaking under the Scheme from the Demerged Company to the Transferee Company.





## 14. ACCOUNTING TREATMENT

### 14.1 In the books of the Demerged Company:

- a) The accounts representing the assets and liabilities of the Demerged Undertaking, shall stand closed on transfer to the Transferee Company, including the corporate loans, term loans, advances and borrowings relatable or pertaining to the Demerged Undertaking which will be transferred in entirety to the Transferee Company in accordance with the provisions of this Scheme. The Demerged Company will reduce the book value of assets and liabilities pertaining to the Demerged Undertaking transferred to the Transferee Company.
- b) The assets and the liabilities of the Demerged Undertaking being transferred to the Transferee Company shall be at values appearing in books of account of Demerged Company on the Appointed Date.
- c) The difference between the values of assets and liabilities transferred pursuant to the Scheme shall be appropriated and adjusted against the “Capital Reserves”/ “Reserve on restructuring”-of the Transferor Company.

### 14.2 In the books of the Transferee company:

- a) Upon coming into effect of this Scheme and upon the arrangement becoming operative, Transferee Company shall record the assets and liabilities comprised in the Demerged Undertaking transferred to and vested in it pursuant to this Scheme, at the same value appearing in the books of the Demerged Company at the close of business of the day immediately preceding the Appointed Date.
- b) Upon coming into effect of this Scheme, the Transferee Company shall account for in the books in accordance with the applicable accounting standard prescribed under Section 133 of the Act and / or as per generally accepted accounting principles.
- c) The difference arising between the values of the net assets (excluding the inter corporate transactions between the Demerged Company and the Transferee



Company including but not limited to trade receivables, short term borrowings, trade payables relatable or pertaining to the Demerged Undertaking) transferred pursuant to this Scheme shall be adjusted against “Capital Reserves”/ “Reserve on restructuring” of the Transferee Company.

- d) In case of any differences in accounting policies between the Demerged Company and the Transferee Company, the accounting policies followed by the Transferee Company will prevail and the difference till the Appointed Date will be quantified and adjusted against Reserves, to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policies.
- e) Upon coming into effect of the Scheme, stamp duty expenses incurred by Transferee Company on registration of the Scheme and other acquisition costs shall be debited to free reserves



15. **TAX**

- 15.1 All taxes (including income tax, sales tax, VAT, Excise duty, Customs duty, Service tax, Local Body Tax (LBT), GST, etc.) paid or payable by the Transferor Company pertaining to the Demerged Undertaking, insofar as they relate to the tax payment (including, without limitation, Sales tax, Excise duty, Custom duty, Income tax, Service tax, LBT, GST, etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by the Transferor Company in respect of the profits or activities or operation on or after the Appointed Date for the Demerged Undertaking, the same shall be deemed to be the corresponding item paid by the Transferee Company, and shall, in all proceedings, be dealt with accordingly
- 15.2 Upon the Scheme becoming effective, the Transferee Company and/or Demerged Company may revise, if it becomes necessary, their financials, income tax returns, withholding tax returns, Sales tax returns, VAT returns, Excise and Cenvat returns, Service tax returns, GST returns, other tax returns and to restore input credit of duties/ taxes adjusted earlier or claim refunds/ credits pursuant to the provisions of this Scheme.
- 15.3 Upon the Scheme becoming effective, all or any refunds and claims, including refunds or claims pending with the revenue authorities and including the right of carry forward of accumulated losses or unabsorbed depreciation and right to claim minimum alternate tax credit, if any, of the Demerged Company pertaining to the Demerged Undertaking, shall, for all purposes, be treated as refunds, claims, accumulated losses or unabsorbed depreciation and tax credit of the Transferee Company.
- 15.4 Upon the Scheme becoming effective, Transferee Company is expressly permitted to claim refunds/credits on account of Duties/ tax in accordance with the provisions of sales tax, VAT, Excise duty, Customs duty, Service tax, Local Body Tax (LBT), GST, etc. pertaining to the Demerged Undertaking.
- 15.5 The benefit of all the balances relating to CENVAT, Sales tax, VAT, Service tax, LBT or GST unutilized tax credits, if any, relating to the Demerged Company for the Demerged Undertaking shall be transferred to the credit of the Transferee Company,



as if all such unutilized credits were lying to the account of the Transferee Company. The Transferee Company shall accordingly be entitled to set off all such unutilized credits against the tax payable by it, without limitation.

- 15.6 All the benefits, incentives, losses (including but not limited to book losses, tax losses), book unabsorbed depreciation, tax unabsorbed depreciation. Credits (including but not limited to Income tax, Minimum Alternate Tax, tax deducted at source, etc.) of the Demerged Company pertaining to the Demerged Undertaking shall be available and vest in the Transferee Company as arising on account of the Demerged Undertaking.
- 15.7 Any tax liabilities under the Income Tax Act, 1961 (including the rules thereunder) and other laws dealing with taxes/ duties/ levies of the Demerged Company pertaining to the Demerged Undertaking to the extent not provided by the tax provision in the books of accounts made as on the appointed date, shall be transferred to Transferee company.
- 15.8 All tax payments made by the Demerged Company pertaining to the Demerged Undertaking on or after the Appointed Date shall be deemed to be made by the Transferee Company.
- 15.9 Any tax deducted at source by the Demerged Company pertaining to the Demerged Undertaking on transactions with the Transferee Company, if any (from Appointed Date to Effective Date) shall be deemed to be advance tax paid by the Transferee Company.
- 15.10 Tax assessment proceedings / appeals by or against the Transferor Company shall be continued or enforced by / against the Transferor Company until the Effective Date. From the Effective date, the proceedings shall be continued / enforced by the Transferee Company to the extent of the Demerged Undertaking.



## PART IV

### Remaining Business of Demerged Company

16. All the assets, liabilities and obligations pertaining to the Remaining Business shall continue to belong to and be managed by the Demerged Company.
17. The Remaining Business shall continue to belong to and be vested in and be continued to be owned and managed by the Demerged Company pursuant to sanction of the Scheme. All legal, taxation or other proceedings by or against the Demerged Company under any statute, 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 Remaining Undertaking (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining Business) shall be continued and enforced by or against the Demerged Company. The Transferee Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceeding against the Demerged Company in relation to the Remaining Business.
18. Notwithstanding the demerger of the Demerged Undertaking to the Transferee Company, with effect from the Appointed Date:
  - (i) The Demerged Company shall be deemed to have been carrying on all business and activities relating to the Remaining Business for and on its own behalf; and
  - (ii) All profits and cash accruing to the Demerged Company thereon or losses arising or incurred by it relating to the Remaining Business shall, for all purposes, be treated as the profits/cash or losses, as the case may be, of the Demerged Company.
19. All the assets and properties acquired by the Demerged Company in relation to the Remaining Business on and after Appointed Date shall belong to and continue to remain vested in the Demerged Company.



## **PART- V**

### **Dealing with General Terms and Conditions**

#### **20. CONDITIONALITY OF THE SCHEME**

20.1 This Scheme is and shall be conditional upon and subject to:

- (i) The approval by the requisite majority of the members and creditors of Demerged Company and Transferee company;
- (ii) The Scheme being sanctioned by the Authority;
- (iii) The certified copies of the Order of the Authority sanctioning the Scheme being filed with the Registrar of Companies of Karnataka.

#### **21. APPLICATION TO THE REGIONAL DIRECTOR**

21.1 The Companies shall, with all reasonable dispatch, make application to the Regional Director under whose jurisdiction the registered offices of the companies are situated, for sanctioning the Scheme of Arrangement under Section 233 of the Act.

#### **22. MODIFICATION OR AMENDMENTS TO THE SCHEME**

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



23. **EFFECT ON NON-RECEIPT OF APPROVAL**

23.1 In the event of any of the approvals or condition enumerated in the Scheme not being obtained or complied with, or for any other reason, this Scheme cannot be implemented, then the Board of Directors of the Companies shall, in accordance with law, mutually waive such condition as they may consider appropriate to give effect, as far as possible, to this Scheme and failing such mutual agreement the Scheme shall become null and void and each party shall bear and pay their respective cost, charges and expenses in connection with the scheme.

24. **COSTS, CHARGES AND EXPENSES**

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

25. **BINDING EFFECT**

Upon the Scheme becoming effective, the same shall be binding on the Demerged Company / Residual Transferor Company, Resulting Company and the Transferee Company and all concerned parties without any further act, deed, matter or thing.



## SCHEDULE I

### Part A

*Schedule of Assets and Liabilities as at 30 March 2018 of the Demerged Undertaking of Himatsingka Wovens Private Limited (Demerged Company) to be taken over by Himatsingka Seide Limited.*

	As at 30 March 2018
	Amount (in INR)
<b>A. Non-current assets</b>	
<b>I. Property, plant and equipment</b>	
a. Leasehold Improvements	23,822,459
b. Plant and Machinery	3,272,053
c. Furniture and Fixtures	5,916,087
d. Office Equipment	3,193,957
<b>II. Intangible assets</b>	
Computer software	4,780,044
<b>III. Other financial assets</b>	
Security deposits	15,322,124
IV. Deferred tax assets, (net)	153,628,232
V. Non-current Income tax assets, (net)	5,173,000
VI. Other non-current assets	5,192,604
<b>Total non-current assets (A)</b>	<b>220,300,560</b>
<b>B. Current Assets</b>	
I. Inventories	280,705,299
<b>II. Other Financial Assets</b>	
a. Trade receivables	53,389,114
b. Cash and cash equivalents	8,110,488
c. Bank balances other than (b) above	467,000
d. Loans	82,000
e. Deemed income receivable on financials guarantee contracts	8,559,113
<b>III. Other current assets</b>	
a. Advances to suppliers	1,527,400
b. Prepayments	1,686,846
c. Interest subsidy receivable	108,000
d. Others	10,196,716
<b>Total current assets (B)</b>	<b>364,831,976</b>
<b>Total assets (A+B)</b>	<b>585,132,536</b>





**C. Non-current liabilities**

**I. Financial liabilities**

a. Borrowings 139,796,000

**II. Provisions**

2,465,000

**Total non-current liabilities (C)**

**142,261,000**

**D. Current Liabilities**

**I. Financial liabilities**

a. Trade payables 358,793,347

b. Other financial liabilities 33,990,700

**II. Provisions**

229,000

**III. Other current liabilities**

a. Advances received from customers 2,517,000

b. Statutory dues 2,461,136

c. Other payable 350,178

**Total current liabilities (D)**

**398,341,361**

**Total liabilities (C+D)**

**540,602,361**



## Part B

Details of the properties of the Demerged Company that will not form a part of the Demerged Undertaking

	<b>As at 30 March 2018</b>
	<b>Amount (in INR)</b>
<b>A. Non-current assets</b>	
<b>I. Property, plant and equipment</b>	
a. Freehold Land	180,171,000
b. Buildings	20,684,272
<b>II. Investment property</b>	7,107,659
<b>Total Non-current assets (A)</b>	<b>207,962,931</b>
<b>B. Other current assets</b>	
I. Rent receivable	213,933
<b>Total other current assets (B)</b>	<b>213,933</b>
<b>Total Assets (A+B)</b>	<b>208,176,864</b>
<b>C. Non-current liabilities</b>	
<b>I. Financial liabilities</b>	
Security deposit received	4,048,000
II. Deferred tax liabilities (net)	24,952,232
<b>Total non-current liabilities (C)</b>	<b>29,000,232</b>
<b>D. Current Liabilities</b>	
Other current liabilities	432,000
<b>Total current liabilities (D)</b>	<b>432,000</b>
<b>Total liabilities (C+D)</b>	<b>29,432,232</b>

