



**PearlGlobal**

**PEARL GLOBAL INDUSTRIES LIMITED**

**COURT CONVENED MEETING OF THE  
EQUITY SHAREHOLDERS**

**INDEX**

**Day** : Friday

**Date** : 04th October, 2013

**Time** : 10:30 a.m.

**Venue** : Sri Sathya Sai International Centre,  
Pragati Vihar, Lodhi Road,  
New Delhi - 110003

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**IN THE HIGH COURT OF DELHI AT NEW DELHI  
ORDINARY ORIGINAL JURISDICTION  
COMPANY APPLICATION (M) NO. 100 OF 2013**

IN THE MATTER OF:

The Companies Act, 1956

AND

IN THE MATTER OF:

A joint application under Section  
391 to 394 of the said Act

AND

IN THE MATTER OF:

**Pearl Global Industries Limited**, a Public Limited Company incorporated on 5<sup>th</sup> July 1989, under the Companies Act, 1956, having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO. 1/  
TRANSFEROR COMPANY/  
DEMERGED COMPANY**

AND

**PDS Multinational Fashions Limited**, a Public Limited Company incorporated on 6<sup>th</sup> April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO.2/  
TRANSFeree COMPANY/  
RESULTING COMPANY**

**NOTICE CONVENING MEETING OF THE EQUITY SHAREHOLDERS OF  
PEARL GLOBAL INDUSTRIES LIMITED**

To,

**The Equity Shareholders of PEARL GLOBAL INDUSTRIES LIMITED**

TAKE NOTICE that by an order made on 02<sup>nd</sup> August, 2013, the Hon'ble High Court of Delhi has directed that a meeting of the Equity Shareholders of the Company **PEARL GLOBAL INDUSTRIES LIMITED (PGIL)** be held for the purposes of considering, and if thought fit, approving, with or without modification, the proposed Scheme of Arrangement between **Pearl Global Industries Limited** and **PDS Multinational Fashions Limited**, fully described above and their respective Equity Shareholders and Secured and Unsecured Creditors .

TAKE FURTHER NOTICE that in pursuance of the said order, a meeting of the Equity Shareholders of PGIL will be held on Friday, 04<sup>th</sup> October, 2013 at 10:30 A.M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi, which you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or through proxy, provided that a proxy in the prescribed form, duly signed by you, is deposited at the Registered Office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028, not later than 48 hours before the meeting.

The Hon'ble High Court of Delhi has appointed Mr. Rana Biswas, Advocate as Chairperson and failing him, Ms. Nisha Sharma, Court Officer as Alternate Chairperson of the said meeting.

A copy of each of the Scheme of Arrangement, the Statement under section 393 of the Companies 1956, fairness opinion, form of proxy and attendance slip are enclosed.

Dated this 26<sup>th</sup> day of August, 2013

(Malini Sud)  
Advocate  
Counsel for Applicant Company  
D – 41, Defence Colony  
New Delhi - 110024

Sd/-  
(Rana Biswas)  
Advocate  
Chairperson appointed for the meeting

**NOTE:**

1. *All alterations made in the Form of Proxy should be initialed.*
2. *Corporate shareholders intending to send their authorized representative to attend the meeting are requested to bring along, with the, a certified true copy of resolution of the Board of Director's or its Committee thereof / Power of Attorney, authorizing such person to attend and vote on its behalf at the meeting.*

**IN THE HIGH COURT OF DELHI AT NEW DELHI  
ORDINARY ORIGINAL JURISDICTION  
COMPANY APPLICATION (M) NO. 100 OF 2013**

IN THE MATTER OF:

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TRANSFeree COMPANY/  
RESULTING COMPANY**

## EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. A Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956 ("Act") is proposed by and between Pearl Global Industries Limited ("PGIL"), the Transferor Company with PDS Multinational Fashions Limited ("PDS"), the Transferee Company. In terms of the Scheme of Arrangement of PGIL with PDS ("Scheme") the Demerged Undertaking of PGIL will demerge from PGIL and amalgamate and merge with and into PDS which will thereby result in continued existence of the residual undertaking of PGIL and PDS, the resulting company.

PGIL and PDS had filed a Joint Application being Company Application (Main) No. 100 of 2013 before the Hon'ble High Court of Delhi seeking directions from the Hon'ble Court for convening the meetings of the Shareholders, Secured Creditors and Unsecured Creditors of PGIL for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme. The Hon'ble High Court of Delhi, by an order dated 02<sup>nd</sup> August, 2013 has directed the convening of the following separate meetings to consider the Scheme:-

### For PGIL (Demerged/Transferor Company)

Meeting of Shareholders – On 04<sup>th</sup> October, 2013 at 10:30 A.M.

Meeting of Secured Creditors – On 04<sup>th</sup> October, 2013 at 12:30 P.M.

Meeting of Unsecured Creditors – On 04<sup>th</sup> October, 2013 at 02:30 P.M.

All the above meetings are to be held at the Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme.

This Statement explaining the terms of the Scheme is being furnished as required under Section 393 (1) (a) of the Companies Act, 1956.

2. The Scheme was placed before the Board of Directors of PGIL and PDS at the Board meeting both held on 12<sup>th</sup> November, 2012. The Board of Directors of both the PGIL and PDS have approved the Scheme and filing thereof before the Hon'ble High Court of Delhi and all other acts incidental thereto. Further, a Board Resolution was passed by the Board of Directors of PGIL held on 30<sup>th</sup> May, 2013 approving the compliance of SEBI Circular dated 21.05.2013.
3. Transferor Company/Demerged Company i.e. Pearl Global Industries Limited was incorporated on 05<sup>th</sup> July, 1989 vide Certificate of Incorporation issued by the Registrar of Companies, NCT of Delhi & Haryana dated 05<sup>th</sup> July, 1989 vide CIN L74899DL1989PLC036849 as Mina Estates Private Limited. The name was changed to House of Pearl Fashions Private Limited on 19<sup>th</sup> June, 2006 and was further changed to House of Pearl Fashions Limited, with effect from 31<sup>st</sup> July, 2006, consequent upon its conversion to a public limited company. The name of the company was again changed to Pearl Global Industries Limited on the 20<sup>th</sup> March, 2012.

PGIL is engaged in the business of manufacturing, export, import and trading which includes Sourcing, Distribution and Marketing of ready to wear garments.

The Authorised Share Capital of the Transferor Company as on 01<sup>st</sup> April, 2012 is Rs. 84,01,00,000/- (Rupees Eighty Four Crore and One Lakh Only) comprising of 5,14,40,000 Equity shares of Rs. 10/- each being Rs. 51,44,00,000/- (Rupees Fifty One Crore Forty Four Lacs only), 10,000 4% Non-Cumulative Redeemable Preference shares of Rs. 10/- each being Rs. 1,00,000/- (Rupees One Lakh only) and 32,56,000 10.5% Non-Cumulative Redeemable Preference shares of Rs. 100/- each being Rs. 32,56,00,000/- (Rupees Thirty Two Crores Fifty Six Lacs Only). The Issued, Subscribed and Paid-Up Share Capital of the Transferor Company, as on 1<sup>st</sup> April, 2012 is Rs. 21,66,39,370/- (Rupees Twenty One Crore Sixty Six Lacs Thirty Nine Thousand and Three Hundred and Seventy only) comprising of 2,16,63,937 Equity Shares of Rs. 10/ each fully paid up. The share capital structure of Transferor Company, PGIL as on 01<sup>st</sup> April 2012 is as under:

Particulars	Amount (Rs)
<b>Authorized Capital</b>	
51,440,000 Equity Shares of 10/- each	514,400,000
10,000 4% Non Cumulative Redeemable Preference Shares of Rs.10/- each	100,000
3,256,000 10.5% Non Cumulative Redeemable Preference Shares of Rs.100/- each	325,600,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
21,663,937 Equity Shares of Rs.10/- fully paid up	216,639,370

4. Transferee Company, PDS a wholly owned subsidiary of the Transferor Company was incorporated on 06<sup>th</sup> April, 2011 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, NCT of Delhi & Haryana dated 06<sup>th</sup> April, 2011 vide CIN U18101DL2011PLC217162.

PDS is engaged in the business of trading which includes Sourcing, Distribution and Marketing of ready to wear garments. The Authorised Share Capital of the Transferee Company as on 01<sup>st</sup> April, 2012 is Rs. 50,00,000/- (Rupees Fifty Lacs Only) being 5,00,000/- equity shares of Rs. 10/- each. The Issued, Subscribed and Paid-Up Share Capital of the Transferee Company, as on 1<sup>st</sup> April, 2012 is Rs.5,00,000/- (Rupees Five Lacs only) being 50,000/- equity shares of Rs. 10/- each fully paid up. The share capital structure of Transferee Company (PDS) as on 01<sup>st</sup> April 2012 is as under:

Particulars	Amount (Rs)
<b>Authorized Capital</b>	
500,000 Equity Shares of 10/- each	
<b>Issued, Subscribed &amp; Paid up Capital</b>	50,00,000
50,000 Equity Shares of Rs.10/- fully paid up	5,00,000

5. The circumstances, reasons and grounds that have necessitated and/ or justify the said Scheme are, *inter alia*, as follows:
  - a. The Sourcing Distribution & Marketing business of the Transferor Company is a growing business, having the capability of attracting different set of investors, strategic partners, lenders and stakeholders. In the view of the same, it will be beneficial to merge the demerged undertaking of the Transferor Company into the Transferee Company.
  - b. Considering the size of the Transferor Company and its significant growth in its business operations, it would be advantageous to re-organize it by demerging the Demerged Undertaking of the Transferor Company and subsequently amalgamating the said Demerged Undertaking with and into Transferee Company.
  - c. The re-organization will ensure better operational management and focus on accelerated growth of individual units, with higher returns to the shareholders, creditors, employees and also to the public in general.
  - d. Demerger of the said business of the Transferor Company will enable having focused management attention on the said business.
  - e. The Proposed Scheme of Arrangement is in the interest of all the parties to the Scheme and their respective shareholders and creditors, and will in the long term be in the interest and welfare of the employees.
6. The registered office of PGIL and PDS is situated in New Delhi. Therefore, PGIL and PDS have filed their joint application for the approval of the Scheme before the Hon'ble High Court of Delhi, having competent jurisdiction.
7. On the scheme being approved by its Shareholders, Secured and Unsecured Creditors, as the case may be, joint petition will be filed under Section 394 of the Companies Act, 1956 before the Hon'ble High Court of Delhi, for sanction of the Scheme.
8. No investigation proceedings have been instituted or are pending under Section 235 to 251 of the Companies Act, 1956 against the Transferor Company and Transferee Company.
9. The directors of PGIL may be deemed to be concerned and/or interested in the Scheme to the extent of their shareholding in the Transferor Company. The directors of PDS may also be deemed to be concerned and/or interested in the Scheme to the extent, the said directors are the partners/members of PDS, firms, association of persons or bodies corporate and/or beneficiaries of trust that hold shares in PDS or to the extent they may be allotted shares in PDS as a result of the scheme.
10. PGIL is a listed company and has obtained no objection/approval to the Scheme from the National Stock Exchange and Bombay Stock Exchange vide their letters dated 12<sup>th</sup> April, 2013 and subsequently, vide their letters dated 10<sup>th</sup> July, 2013 and 11<sup>th</sup> July, 2013, respectively in pursuance of the Undertaking filed by PGIL in compliance with the SEBI circulars dated 04<sup>th</sup> February, 2013 and 21<sup>st</sup> May, 2013.
11. List of Directors of PGIL together with the Shares held by them in the PGIL as on 30 June, 2013 is given below:-

S. No.	Names of Directors	Number of Shares held in PGIL
1	Mr. Deepak Seth	15,44,499
2	Mr. Pallak Seth	13,17,646
3	Mr. Pulkit Seth	15,11,384
4	Mrs. Shefali Seth	30
5	Mr. Chittranjan Dua	NIL
6	Mr. Rajendra kumar Aneja	NIL
7	Mr. Anil Nayar	NIL
8	Dr. Ashutosh Prabhudas Bhupatkar	NIL
9	Mr. Samar Ballav Mohapatra	NIL
10	Mr. Vinod Vaish	NIL

12. List of Directors of PDS together with the Shares held by them in PDS as on 30 June, 2013 is given below:-

S. No.	Names of Directors	Number of Shares held in PDS
1	Mr. Deepak Seth	1*
2	Mrs. Payel Seth	1*
3	Mr. Pulkit Seth	1*
4	Mr. Pallak Seth	1*
5	Mr. A.K.G. Nair	NIL
6	Mr. Omprakash S Makam	NIL

\* For and on behalf of PGIL as its nominee

13. In consideration of this Scheme and as an integral part thereof, the share capital of PDS shall be restructured and reorganized in the manner set out herein below:

Particulars	Amount (Rs.)
<b>Authorised:</b>	
2,70,00,000 Equity Shares of Rs. 10/- each	27,00,00,000
<b>TOTAL</b>	<b>27,00,00,000</b>
<b>Issued, Subscribed &amp; Paid-Up</b>	
2,60,46,724 Equity Shares of Rs. 10/- each	26,04,67,240
<b>TOTAL</b>	<b>26,04,67,240</b>

14. The pre-scheme and post-scheme shareholding pattern of PDS is set out below:-

S. No.	Category of Shareholder	Pre Scheme		Post Scheme	
		No. of Shares held	% of total no. of Shares	No. of Shares held	% of total no. of Shares
1	Promoters and Promoter Group	50,000	100	1,73,59,888	66.65
2	Mutual Funds	NIL	NIL	10,34,677	3.97
3	Financial Institutions/Banks	NIL	NIL	73,394	0.28
4	Insurance Companies	NIL	NIL	6,15,998	2.36
5	Foreign Institutional Investors	NIL	NIL	3,07,446	1.18
6	Bodies Corporate	NIL	NIL	8,77,311	3.37
7	Individuals	NIL	NIL	49,01,088	18.82
8	NRIs & OCBs	NIL	NIL	4,25,199	1.63
9	Hindu Undivided Families	NIL	NIL	4,44,789	1.71
10	Trusts and Clearing Members	NIL	NIL	6,934	0.03
	<b>TOTAL</b>	<b>50,000</b>	<b>100</b>	<b>2,60,46,724</b>	<b>100.00</b>

15. The salient features of the scheme as extracted therefrom are as follows:-

**Demerger of Demerged Undertaking of PGIL and subsequent amalgamation with and into PDS:-**

- Upon the scheme coming into effect on the Effective Date (defined in the Scheme to mean *'the last of the date on which the conditions and matters of the Scheme of Arrangement occur or has been fulfilled or waived and the certified copies of the order of the Hon'ble High Court of Delhi sanctioning the Scheme of Arrangement is filed with the Registrar of Companies, by PGIL and PDS'*) and with effect from the Appointed Date, the demerged Undertaking of PGIL comprising of all the assets and liabilities of whatsoever nature and wherever situated, shall be and stand transferred to the Resulting Company, as a going concern in accordance with Section 2 (19AA) of the Income Tax Act, so as to become, as and from the Appointed Date, the assets and liabilities of the Resulting Company and all the rights, titles, interests or obligations of the said Undertaking therein shall be vested in the Resulting Company. All the assets, properties and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged Company at the close of business on 31<sup>st</sup> March 2012.
- Upon the scheme coming into effect on the Effective Date and with effect from the Appointed Date, all incorporeal or intangible property of the Demerged Undertaking of PGIL, shall stand vested in PDS and shall become the property and an integral part of PDS, without any act or deed done by PGIL or PDS.
- Upon the scheme coming into effect on the Effective date and with effect from the Appointed Date, subject to the other provisions of this Scheme, all contracts, memorandum of understandings, tenders, bid documents, expressions of interest, deeds, bonds, agreements and other instruments of whatsoever nature ('Contracts') to which the Demerged

- Company is a party, in relation of the Demerged Undertaking, subsisting or having effect immediately before the Effective Date, shall remain in full force and effect against or in favour of the Resulting Company and may be enforced as fully and as effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.
- iv. Upon demerger of the Demerged Undertaking of the Transferor Company with and into the Transferee Company, the Authorised Share Capital of the Transferee Company shall be reorganized and will increase to Rs. 27,00,00,000/- (Rupees Twenty Seven Crores only).
  - v. Upon the coming into effect of the Scheme of Arrangement, pursuant to Part II of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each shareholder of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record date, the equity shares of the Resulting Company in the Share Entitlement Ratio of 6 Equity Share in the Resulting Company of Rs.10/- credited as fully paid up for every 5 Equity Shares of Rs10 /- each fully paid up held by such shareholder in the Demerged Company.
  - vi. Upon coming into effect of the Scheme, the entire Equity Share Capital of the Resulting Company including the New Equity Shares issued in terms hereof shall, subject to payment of the appropriate fee and approval of the respective stock exchange(s), be listed on recognized stock exchange(s) in India, where the shares of the Demerged Company are already listed.
  - vii. Upon coming into effect of the Scheme, no special resolution under section 81(1A) of the Act, shall be required to be passed by the Resulting Company separately in a General Meeting for issue of shares to the shareholders of the Demerged Company under the Scheme and upon the members of the Resulting Company approving the Scheme, it shall be deemed that they have given their consent to the issue of shares of the Resulting Company to the shareholders of the Demerged Company on the basis of the Share Entitlement Ratio.
  - viii. Upon coming into effect of the Scheme, the shares proposed to be allotted pursuant to the Scheme shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Resulting Company and shall rank pari passu with the existing shares of the Resulting Company, including the rights in respect of dividend and bonus shares, if declared by the Resulting Company on or after the Effective Date as specified in Clause 8 of the Scheme of Arrangement.
  - ix. Upon coming into effect of this Scheme and pursuant to the allotment of shares by the Resulting Company in terms of Clause 5.1 of the Scheme, the existing share premium account of the Demerged Company, amounting to Rs. 2,778,164,164/- shall be reduced to Rs.1,710,389,823/- shall be cancelled, in accordance with provisions of sections 100 to 103 of the Act and order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under section 102 of the Act, for the purpose of confirming the reduction in the share premium of the Demerged Company. The reduction in the share premium of the Demerged Company, shall not involve any diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable in respect thereof.
  - x. Upon the Scheme coming into effect the Residual Undertaking and all its assets, liabilities and obligations thereto, shall continue to belong to and be vested with and be managed by the Demerged Company.
  - xi. With effect from the Appointed Date and upto and including the Effective Date:
    - (a). The Demerged Company shall carry on and shall be deemed to have carried on all its business and activities as hitherto in relation to the Demerged Undertaking on account of, and for the benefit of and in trust for the Resulting Company.
    - (b). All the profits or incomes accruing or arising to the Demerged Company in relation to the Demerged Undertaking, or expenditure or losses arising or incurred (including but not limited to the effect of advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country, etc.), thereon by the Demerged Company in relation to the Demerged Undertaking shall, for all purposes, be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses or effect of taxes as the case may be, of the Resulting Company.
    - (c). Any of the rights, powers, authorities, privileges, attached, related or pertaining to or exercised by the Demerged Company, in respect of the Demerged Undertaking, shall be deemed to have been exercised by the Demerged Company, for and on behalf of, and in trust for and as an agent of the Resulting Company. Similarly, any of the obligations, duties, commitments attached, related or pertaining to the Demerged Company that have been undertaken or discharged by the Demerged Company, shall be deemed to have been undertaken for and on behalf of and in trust for and as an agent for the Resulting Company.
  - xii. Upon the Scheme coming into effect, the treatment in the books of the Demerged Company shall give effect to the following accounting treatment as at the Appointed Date:
    - (a). The Demerged Company shall upon the Scheme becoming effective, record the deletion of the assets and



liabilities of the Demerged Undertaking transferred to and vesting in the Resulting Company, pursuant to this Scheme at their respective book values as appearing in its books as at the close of business of a day (i.e. 31st March, 2012), immediately preceding the Appointed Date.

- (b). The difference between the book value of the assets (net of diminution/depreciation, if any) and the book value of the liabilities of the Demerged Company that is transferred to the Resulting Company pursuant to the Scheme, if any, would be debited to the Share Premium Account in accordance with the provisions of Section 100 of the Act and the balance, if remaining thereafter, would be adjusted against the General Reserve Account.
  - (c). The application and consequential reduction of Share Premium Account, as above, shall form an integral part of the Scheme itself, as the same does not involve any diminution of liability in respect of unpaid Share Capital or payment, to any shareholder of paid-up Share Capital and the order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under Section 102 of the Act, confirming the reduction in the Share Premium Account of the Demerged Company.
- xiii. Upon coming into effect of the Scheme, the Resulting Company shall follow the accounting treatment laid down as under, at the Appointed Date:
- i. The Resulting Company shall, record the assets and liabilities (difference between the assets and liabilities hereinafter referred to as "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of the Demerged Company, at the close of business of the day immediately preceding the Appointed Date.
  - ii. The Resulting Company shall credit to its Share Capital Account in its books of accounts, the aggregate face value of the new equity shares issued by it to the members of the Demerged Company pursuant to Clause 5.1 of the Scheme.
  - iii. The difference between the Net Asset and amount credited to the Share Capital account shall be credited in to "Capital Reserve Account".
16. The Equity Shareholders, Secured Creditors and Unsecured Creditors of PGIL are entitled to attend and vote at the respective Court convened meetings or may appoint proxy to attend and vote at the respective meetings. The instrument appointing the proxy should be deposited at the Registered office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 not later than 48 (Forty Eight) hours before the time fixed for the meeting in respect of which proxy is made. The Equity Shareholders, Secured Creditors and Unsecured Creditors authorizing their representative to attend the meeting on their behalf are requested to file with the company PGIL, a copy of the duly executed and properly filled resolution (in case of Corporates) or other documents authorising the representative to attend and vote on the Scheme at the Court convened meetings. Such authorization/documents should be deposited at the Registered office of the company at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 not later than 48 (Forty Eight) hours prior to the time fixed for the respective meetings.
17. The following documents will be open for inspection by the Equity Shareholders/Secured Creditors/Unsecured Creditors of PGIL as the case may be upto the date of meeting between 10 a.m. and 5 p.m. on all working days except Saturday at the registered office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 and will also be available at the meetings.
- (i) Certified Copy of the order of the Hon'ble Court of Delhi dated 02<sup>nd</sup> August, 2013 *inter alia*, directing convening separate meeting of:-
    - (a) Equity Shareholders of PGIL;
    - (b) Secured Creditors of PGIL; and
    - (c) Unsecured Creditors of PGIL
  - (ii) Copies of Memorandum and Articles of Association of PGIL.
  - (iii) Audited annual accounts of PGIL for the year ended on 31.03.2013.
  - (iv) Unaudited financial results of PGIL for the quarter ended 30.06.2013.
  - (v) Copy of the "No objection letters" from the National Stock Exchange and Bombay Stock Exchange dated 12<sup>th</sup> April, 10<sup>th</sup> and 11<sup>th</sup> July, 2013, respectively.
  - (vi) Copy of the proposed Scheme of Arrangement.
  - (vii) Fairness Opinion.

Sandeep Sabharwal  
(Company Secretary)

Sd/-  
Rana Biswas  
(Chairperson for the meeting of Shareholder)

# SCHEME OF ARRANGEMENT

UNDER SECTIONS 391 TO 394

OF THE COMPANIES ACT, 1956

BETWEEN

**PEARL GLOBAL INDUSTRIES LIMITED**  
("Transferor Company/Demerged Company")

AND

**PDS MULTINATIONAL FASHIONS LIMITED**  
("Transferee Company/Resulting Company")

AND

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

## PREAMBLE

(A) Description of the Companies:

1. Pearl Global Industries Limited (hereinafter referred to as "PGIL", is a limited company incorporated on 5<sup>th</sup> of July, 1989 under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028. PGIL was incorporated on July 5, 1989 as Mina Estates Private Limited, a private limited company, with the Registrar of Companies, Delhi and Haryana. Its name was changed to House of Pearl Fashions Private Limited with effect from June 19, 2006. Its name was further changed to its name, House of Pearl Fashions Limited, with effect from July 31, 2006 consequent upon its conversion to a public limited company. Its name was further changed to current name Pearl Global Industries Limited with effect from March 20, 2012.
2. PGIL is engaged in the business of manufacturing, export, import and trading which includes sourcing, distribution and marketing of ready to wear garments.
3. The equity shares of PGIL are listed on the Bombay Stock Exchange and the National Stock Exchange Limited.
4. PDS Multinational Fashions Ltd. (hereinafter also referred to as "PDS"), is a Limited company incorporated on 6<sup>th</sup> of April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028. PDS is the wholly owned subsidiary of PGIL and is inter – alia engaged in the business of trading which includes sourcing, distribution and marketing of ready to wear garments.
5. This Scheme of Arrangement is proposed for demerger of the Demerged Undertaking (described hereinafter) from PGIL and subsequent merger/amalgamation of the said Demerged Undertaking with and into PDS, pursuant to Sections 391 to 394 and other applicable provisions of the Companies Act, 1956.

**(B) Purpose of the Scheme**

1. This Scheme of Arrangement is presented under Section 391 to Section 394 of the Companies Act, 1956 and other applicable laws for the demerger of Demerged Undertaking from PGIL and its subsequent merger/amalgamation with and into PDS.
2. This scheme provides for the issue and allotment of shares of PDS to the shareholders of PGIL, as consideration for the transfer of the Demerged Undertaking from PGIL to PDS, and the subsequent listing of such shares on the Stock Exchanges.
3. This scheme also provides for various other matters consequential or otherwise integrally connected with the transfer and vesting of the Demerged Undertaking from PGIL to PDS.

**(C) Rationale of the Scheme**

The Scheme of Arrangement for demerger of the Demerged Undertaking of PGIL and subsequent merger/amalgamation with PDS would, *inter alia*, have the following benefits for the Shareholders:

1. The Sourcing Distribution & Marketing business of PGIL is a growing business, having the capability of attracting different set of investors, strategic partners, lenders and stakeholders. In the view of the same, it is proposed to demerge the said business and subsequently merge it into PDS.
2. Considering the size of PGIL and its significant growth in its business operations, it would be advantageous to re-organize it by demerging the Demerged Undertaking of PGIL and subsequently amalgamating the said Demerged Undertaking with and into PDS.
3. The re-organization will ensure better operational management and focus on accelerated growth of individual units, with higher returns to the shareholders, creditors, employees and also to the public in general.
4. Demerger of the said business of PGIL will enable having focused management attention on the said business.
5. The Proposed Scheme of Arrangement is in the interest of all the parties to the Scheme and their respective shareholders and creditors, and will in the long term be in the interest and welfare of the employees.

In view of the aforesaid, the Board of Directors of **Pearl Global Industries Limited** as well as the Board of Directors of **PDS Multinational Fashions Limited** have considered and proposed the demerger of the Demerged Undertaking of PGIL and its subsequent merger / amalgamation with and into PDS in order to benefit the stakeholders of the two Companies. Accordingly, the Board of Directors of both the companies have formulated this Scheme of Arrangement pursuant to the provisions of Section 391 to Section 394 and other relevant provisions of the Companies Act, 1956.

**(D) Parts of the Scheme**

The scheme is divided into the following parts:

1. **PART I** deals with the Definitions of terms used in this Scheme of Arrangement and Share Capital of PGIL and PDS;
2. **PART II** deals with demerger of the Demerged Undertaking of PGIL and subsequent merger / amalgamation with and into PDS;
3. **PART III** deals with the Alteration of Memorandum of Association; reorganization of Share Capital and subsequent listing of shares of PDS;
4. **PART IV** deals with General Terms and Conditions; and
5. **PART V** deals with Other Terms and Conditions.

- (E)** The demerger of the Demerged Undertaking of PGIL and its subsequent merger with and into PDS, pursuant to and in accordance with this Scheme, shall take place with effect from the Appointed Date and shall be in accordance with sections 2(19AA), 2(19AAA) and 2(41A) of Income Tax Act, 1961.

## PART I

### DEFINITIONS AND SHARE CAPITAL

#### 1. DEFINITIONS

In this Scheme (as defined hereinafter), unless repugnant to the context or meaning thereof, the following expressions shall have the meanings as under:-

- 1.1. **"Act"** means the Companies Act, 1956, and shall include any statutory modification, re-enactment or amendments thereof for the time being in force;
- 1.2. **"Appointed Date"** means for the purpose of this scheme, 1<sup>st</sup> April, 2012 or such other date as the Hon'ble High Court of New Delhi may direct or approve;
- 1.3. **"Board of Directors"** shall have the same meaning as under the Act;
- 1.4. **"Book Value(s)"** means the value(s) of the assets and the liabilities of the Demerged Undertaking as appearing in the books of accounts of PGIL at the close of the business as on 31<sup>st</sup> March, 2012;
- 1.5. **"Demerged Company/Transferor Company"** means Pearl Global Industries Limited, a limited company incorporated under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028.
- 1.6. **"Demerged Undertaking"** means the sourcing, distribution and marketing business of the Demerged Company as a going concern (as on the Appointed Date and as modified and altered from time to time till the Effective Date) and shall include but not limited to:-
  - a. all movable and immovable assets through which the Demerged Company carries on the said business activities and operations pertaining to Sourcing Distribution & Marketing;
  - b. all debts, liabilities, duties and obligations including reserves, contingent liabilities if any, appertaining or allocated to the Sourcing Distribution & Marketing business of the Demerged Company on the Appointed Date;
  - c. all agreements, contracts, engagements, permits, rights, registrations, entitlements, bids, all assignments and grants thereof, tenders, letter of intent, expressions of interest, development rights (whether vested or potential and whether under agreements or otherwise), approvals, consents, subsidies, tax credits, incentives, tenancies in relation to office and/or residential properties for the employees, investments or interest (whether vested, contingent or otherwise) in projects undertaken or contracted to be undertaken either solely or jointly with other parties, goodwill, trademarks, trade names, patents, copyrights, all other intellectual property, bank accounts, receivables, privileges, insurance claims and policies, power of attorney and authorities, certifications, all other rights including sales tax deferrals and exemptions and other benefits, lease rights, licenses, powers and facilities of every kind, nature and description whatsoever, rights to use and avail telephones, emails, telexes, facsimile, VSATs connections and installations and any other communication devices, utilities, electricity 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, including licenses, approvals, certificates, clearances, exemptions and all benefits;
  - d. all deposits or benefits of any deposits, balances, earnest moneys, advances and/or security deposits paid or received by the Demerged Company directly or indirectly in connection with or relating to the Demerged undertaking;
  - e. all books, records, files, papers, process information, licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records, whether in physical form or electronic form in connection with or relating to the Demerged Undertaking;

#### **Explanation:**

1. *For the purpose of this Scheme, it is clarified that the liabilities pertaining to the Demerged Undertaking are:*
  - a. *The liabilities which accrue or arise out of the activities or operation of the Demerged Undertaking;*
  - b. *Specific loans and borrowings (including debentures) raised, incurred and utilized solely for the activities or operation of the Demerged Undertaking; and*
  - c. *Liabilities (including debentures, if any) other than those referred to in sub- clauses (a) and (b) above, if any, being the amounts of general or multipurpose borrowings of PGIL, for the business operations carried out by the Demerged Undertaking in the scientific method as approved by the Board of Directors immediately preceding the Appointed Date.*

2. Any question that may arise as to whether a specified asset or liability pertain or does not pertain to the business operations carried out by the Demerged Undertaking shall be decided by mutual agreement between the Board of Directors of PGIL and PDS.
- 1.7 **"Effective Date"** means the last of the date on which the conditions and matters of the Scheme of Arrangement occur or has been fulfilled or waived and the certified copies of the order of the Hon'ble High Court of Delhi sanctioning the Scheme of Arrangement is filed with the registrar of companies by PGIL and PDS.  
Reference in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" shall mean the Effective Date.
- 1.8 **"Governmental Authority"** means any applicable Central, State or local Government, legislative body, regulatory or administrative authority, agency or commission or any Court, Tribunal, Board, Bureau or instrumentality thereof or Arbitration or Arbitral Body having jurisdiction.
- 1.9 **"High Court"** means the Hon'ble High Court of Delhi.
- 1.10 **"Income Tax Act"** means the Income Tax Act, 1961, or any statutory modification or re-enactment thereof for the time being in force.
- 1.11 **"Liabilities"** shall have the meaning ascribed to it in Clause 3.3 of Part II.
- 1.12 **"Record Date"** means the date to be fixed by the Board of Directors of Demerged Company for determining names of the equity shareholders of the Demerged Company, who shall be entitled to shares of PDS upon coming into effect of this Scheme.
- 1.13 **"Residual Undertaking"** means all the business, undertakings and divisions of the Demerged Company other than the Demerged Undertaking transferred to, and vested in PDS, pursuant to this Scheme of Arrangement.
- 1.14 **"Resulting Company/Transferee Company"** means PDS Multinational Fashions Ltd., a limited company incorporated under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II, New Delhi – 110028 into which the Demerged Undertaking will vest.
- 1.15 **"Scheme of Arrangement" or "Scheme"** means this Scheme of Arrangement, in its present form or with any modification(s) approved or directed by the Board of Directors of both the Demerged and Resulting Company and/or by the Hon'ble High Court and/or by any other authority for the purpose of demerger of the Demerged Undertaking of Demerged Company and its subsequent merger / amalgamation with and into the Resulting Company.
- 1.16 **"Share Entitlement Ratio"**, as defined in Para 5.1 of the Scheme, means the ratio in which the Resulting Company/ Transferee Company will issue and allot shares to each member of the Demerged Company/Transferor Company, whose name appear in the register of members of the Demerged Company on the Record Date.
- 1.17 **"Shareholders"** means the persons registered as holders of Equity Shares in the register of members.
- 1.18 All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as ascribed to them under the Act and other applicable laws, rules and regulations, as the case may be, including any statutory modification or re-enactment thereof from time to time.

## 2. SHARE CAPITAL

- 2.1 The share capital structure of Demerged Company as on 31<sup>st</sup> March 2012 is as under:

Particulars	Amount in (Rs)
<b>Authorized Capital</b>	
51,440,000 Equity Shares of 10/- each	514,400,000
10,000 4% Non Cumulative Redeemable Preference Shares of Rs.10/- each	100,000
3,256,000 10.5% Non Cumulative Redeemable Preference Shares of Rs.100/- each	325,600,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
21,663,937 Equity Shares of Rs.10/- fully paid up	216,639,370

- 2.2 The share capital structure of Resulting Company as on 31<sup>st</sup> March, 2012 is as under:

Particulars	Amount in (Rs)
<b>Authorized Capital</b>	
500,000 Equity Shares of 10/- each	5,000,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
50,000 Equity Shares of Rs.10/- fully paid up	500,000

## PART II

### DEMERGER AND SUBSEQUENT MERGER OF THE DEMERGED UNDERTAKING

#### 3. TRANSFER AND VESTING OF PROPERTIES, ASSETS AND LIABILITIES OF THE DEMERGED UNDERTAKING

##### 3.1 GENERAL

3.1.1 The provisions of Part II of the Scheme are intended to comply with the conditions relating to "Demerger" as specified under section 2[(19)AA] of the Income Tax Act. If, at a later date, any terms or provisions of Part II of the Scheme are found or interpreted to be inconsistent with the provisions of section 2[(19)AA] of the Income Tax Act, including resulting from an amendment of law or for any other reason whatsoever, the provisions of section 2[(19)AA] of the Income Tax Act shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with section 2[(19)AA] of the Income Tax Act. Such modification(s) will however not affect the other parts of the Scheme.

3.1.2 With effect from the Appointed Date and upon the Scheme becoming effective, the Demerged Undertaking comprising of all the assets and liabilities of whatsoever nature and wherever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further act, instrument or deed, be and stand transferred to the Resulting Company, as a going concern in accordance with Section 2 (19AA) of the Income Tax Act, so as to become, as and from the Appointed Date, the assets and liabilities of the Resulting Company and all the rights, titles, interests or obligations of the said Undertaking therein shall be vested in the Resulting Company.

##### 3.2 TRANSFER OF ASSETS

Without prejudice to the generality of the above clause:

3.2.1 With effect from the Appointed Date and upon the Scheme becoming effective, all the assets of the Demerged Undertaking which are movable in nature or incorporeal property or are otherwise capable of being transferred by manual delivery or by endorsement and delivery, shall be so transferred, delivered or endorsed and delivered, as the case may be, by the Demerged Company, and shall upon transfer become the property and an integral part of the Resulting Company. In respect of such of the said assets other than those referred to hereinabove, the same shall, without any further act, instrument or deed, be transferred to, and vested in, and/or be deemed to be transferred to and vested in the Resulting Company.

3.2.2 All movable properties of Demerged Undertaking as are intangible in nature (other than those specified in clause 3.2.1 above) including, without limitation, actionable claims, sundry debtors, receivables, bills, credits, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, shall without any further act, instrument or deed be transferred to and vest in the Resulting Company with effect from the Appointed Date, without any notice or other intimation to the debtors, although the Resulting Company may, if it so deems appropriate, give notice in such form as it may deem fit and proper to each of such person, debtor or depositee, as the case may be, that pursuant to the Hon'ble High Court having sanctioned the Scheme, such debt, loan, advance, bank balance, deposit or other asset be paid or made good or held on account of the Resulting Company as the person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realize all such debts (including the debts payable by such person or depositee to the Resulting Company) stands transferred and assigned to the Resulting Company and that appropriate entries should be passed in their books to record the aforesaid change.

3.2.3 All immovable properties (including land together with the buildings and structures standing thereon) of Demerged Company relating to Demerged Undertaking, whether freehold or leasehold and any document of title, rights and easements, if any, shall stand transferred to and be vested in Resulting Company, without any further act or deed by Demerged Company or Resulting Company. Resulting Company shall be entitled to exercise all rights and privileges and be liable to pay ground rent, taxes and fulfill obligations, in relation to or applicable to such immovable properties. The mutation / substitution of the title to the immovable properties shall be made and duly recorded in the name of Resulting Company by the appropriate authorities pursuant to the sanction of the Scheme by the Hon'ble High Courts and the Scheme becoming effective in accordance with the terms hereof.

3.2.4 For the purpose of giving effect to the orders passed under Sections 391 to 394 of the Act, in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders sanctioning this Scheme, be entitled to get the records of the change in the title and appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking in the Resulting Company.

- 3.2.5 All assets, estate, rights, title, interest and authorities acquired by the Demerged Company in relation to the Demerged Undertaking, after the Appointed Date and prior to the Effective Date, shall also stand transferred to and vested in the Resulting Company, upon coming into effect of the Scheme.
- 3.2.6 For avoidance of any doubt, upon the Scheme becoming effective, all the rights, title, interest and claims of the Demerged Company in any leasehold property, including all the leases, of the Demerged Company in relation to the Demerged Undertaking shall, pursuant to Section 394(2) of the Act, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company. The Demerged Company shall, wherever necessary, execute all necessary documents at its cost, to effect and evidence such transfer and vesting of assets, rights, licenses etc., covered in this Scheme, more particularly under clauses 3.2.1 to 3.2.5 hereof, and make necessary applications to the authorities concerned, independently and/or jointly with the Resulting Company.
- 3.2.7 Without prejudice to the other provisions of the Scheme and notwithstanding the fact that vesting of the Demerged Undertaking occurs by virtue of Part II of the Scheme itself, the Resulting Company may, at any time after the coming into effect of this Scheme, in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary to be executed. The Demerged Company will, if necessary, also be a party to the above arrangements with third parties. The Resulting Company shall, under the provisions of Part II of this Scheme, be deemed to be authorized to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances referred above on the part of the Demerged Company.

### 3.3 **TRANSFER OF LIABILITIES**

- 3.3.1 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, reserves, duties and obligations of every kind, nature and description relating to the Demerged Undertaking shall, without any further act or deed, be transferred to, or be deemed to be transferred to the Resulting Company, so as to become as and from the Appointed Date, the debts, liabilities, contingent liabilities, duties and obligations of the Resulting Company and the Resulting Company undertakes to meet, discharge and satisfy the same. In respect of general or multipurpose borrowings, debts, liabilities, if any, shall be transferred to or be deemed to be transferred to the Resulting Company in the proportion of the value of assets transferred. Further, it shall not be necessary to obtain consent of any third party or person (other than the creditors of both the Demerged and Resulting Company), who is a party to any contract or arrangement by virtue of such debts, liabilities, contingent liabilities, duties and obligations, in order to give effect to the provisions of this sub-clause.
- 3.3.2 Where any liability and obligation attributed to the Demerged Undertaking on the Appointed Date, has been discharged by the Demerged Company on behalf of the Demerged Undertaking, after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on behalf of the Resulting Company.
- 3.3.3 All liabilities and obligations attributed to the Demerged Undertaking, including unsecured loans, taken over by the Resulting Company, may be discharged by the Resulting Company by way of one time settlement or in any other manner as the Resulting Company may deem fit.
- 3.3.4 The transfer and vesting of the Demerged Undertaking as aforesaid, shall be subject to the existing securities, charges, hypothecation and mortgages, if any, subsisting in relation to any loans or borrowings of the Demerged Undertaking, provided any reference in any security documents or arrangements, to which the Demerged Company is a party, wherein the assets of the Demerged Undertaking have been or are offered or agreed to be offered as security for any financial assistance or obligation, shall be construed as reference only to the assets pertaining to the Demerged Undertaking as are vested in the Resulting Company by virtue of this Scheme, to the end and intent that such security, charge, hypothecation and mortgage, shall not extend or be deemed to extend, to any of the other assets of the Demerged Company or any of the assets of the Resulting Company, provided further that the securities, charges, hypothecation and mortgages, if any, subsisting over and in respect of the assets or any part thereof of the Resulting Company, shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in the Resulting Company, provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Demerged Company in relation to the Demerged Undertaking which shall vest in the Resulting Company by virtue of the vesting of the Demerged Undertaking with the Resulting Company and the Resulting Company shall not be obliged to create any further or additional security, after the Scheme has become operative.

- 3.3.5 All the loans, advances and other facilities sanctioned to the Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilized, shall be deemed to be the loans and advances sanctioned to the Resulting Company and the said loans and advances, shall be drawn and utilized either partly or fully by the Resulting Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by the Resulting Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to the Resulting Company and all the obligations of the Demerged Company in relation to the Demerged Undertaking under any loan agreement, shall be construed and shall become the obligation of the Resulting Company, without any further act or deed on the part of the Resulting Company.
- 3.3.6 All loans raised and used, and liabilities incurred, by the Demerged Company after the Appointed Date, but prior to the Effective Date, for the operations of the Demerged Undertaking shall be discharged by the Resulting Company.
- 3.3.7 All debentures, bonds or other debt securities, if any, of the Demerged Company, in relation to the Demerged Undertaking whether convertible into equity or otherwise, shall on the Effective Date, be transferred to the Resulting Company.
- 3.3.8 All encumbrances over the assets of the Demerged Undertakings in so far as to meet the liabilities of the Residual Undertaking, shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that they shall stand released and discharged from the obligations of the Demerged Undertaking and shall only extend to and continue to operate, against the assets retained by the Demerged Company.
- 3.3.9 Upon the coming into effect of the Scheme, the Resulting Company shall indemnify the Demerged Company in relation to any claim, at any time, against the Demerged Company in respect of the liabilities which have been transferred to it.
- 3.3.10 All loans raised and used, and liabilities repaid by the Demerged Company pertaining to its remaining business after the Appointed Date, but prior to the Effective Date, utilizing the surplus cash derived from the operations of Demerged Undertaking shall be discharged by the Demerged Company as may be mutually agreed.
- 3.3.11 Any claim, liability, demand or any statutory tax liability pertaining to operations of demerged undertaking up to effective date but arising any time after effective date, shall be deemed to be part of demerged undertaking and shall be borne by Resulting Company. In case the liability is incurred by the Demerged Company, then Resulting Company shall reimburse the amount to Demerged Company.

#### 3.4 **SAVING OF CONCLUDED TRANSACTIONS**

Upon coming into effect of this Scheme, the transfer of all the assets and liabilities of Demerged Undertaking to the Resulting Company and the continuance of all the contracts or legal proceedings by or against the Demerged Company, in relation to the Demerged Undertaking, shall not affect any contract or proceeding relating to the said assets or the liabilities already concluded by the Demerged Company, on or after the Appointed Date till the Effective Date to the end and intent, such that the Resulting Company accepts and adopts all acts, deeds and things done, executed for and on behalf of the Demerged Undertaking by the Demerged Company, as acts, deeds and things done, executed for and on behalf of the Resulting Company.

#### 3.5 **RESIDUAL UNDERTAKING**

- 3.5.1 The Residual Undertaking shall continue its business as a part of the Demerged Company.
- 3.5.2 The Residual Undertaking and all its assets, liabilities and obligations thereto, shall continue to belong to and be vested with and be managed by the Demerged Company.
- 3.5.3 All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal), by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case, relating to the Residual Undertaking (including those relating to any property, right, liability, obligation or duties of the Demerged Company) shall continue and be enforced by or against the Demerged Company after the Effective Date.
- 3.5.4 In case of any proceeding against the Resulting Company in respect of the outstanding matters referred to in Clause 3.5.3 above, shall be defended by the Resulting Company.

#### 3.6 **TRANSFER AT BOOK VALUES**

All the assets, properties and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged Company at the close of business on 31<sup>st</sup> March 2012. For this purpose, any change in value of assets, consequent to their revaluation, if any, shall be ignored.



### **3.7 CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS**

- 3.7.1 Upon the coming into effect of this scheme, subject to the other provisions of this Scheme, all contracts, memorandum of understandings, tenders, bid documents, expressions of interest, deeds, bonds, agreements and other instruments of whatsoever nature ("Contracts") to which the Demerged Company is a party, in relation of the Demerged Undertaking, subsisting or having effect immediately before the Effective Date, shall remain in full force and effect against or in favour of the Resulting Company and may be enforced as fully and as effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.
- 3.7.2 With effect from the Appointed Date and upon the Scheme becoming effective, all permits, quotas, rights, entitlements, licenses, registrations, trademarks, patents, copyrights, privileges, powers, facilities, subsidies, rehabilitation schemes, special status and other benefits or privileges (granted by any Government body, local authority or by any other person) of every kind and description of whatsoever nature in relation to the Demerged Undertaking of the Demerged Company, or to the benefit of which the Demerged Undertaking of the Demerged Company may be entitled, or having effect immediately before the Effective Date, shall be and remain in full force and effect in favor of or against the Resulting Company, as the case may be, and may be enforced fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a beneficiary or obligee thereto.
- 3.7.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory license, permission or approval or consent required to carry on the operations of the Demerged Undertaking of the Demerged Company shall stand vested in or transferred to the Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Resulting Company. The benefit of all such statutory and regulatory permissions, licenses, approvals and consents including statutory licenses, approvals, permissions or approvals or consents required to carry on the operations of the Demerged Undertaking of the Demerged Company shall vest in and become available to the Resulting Company, pursuant to the Scheme.
- 3.7.4 The Resulting Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite agreement, confirmations or novations to which the Demerged Company will, if necessary, also be a party in order to give formal effect to the provisions of this Scheme, if it is so required or if it becomes necessary.

### **3.8 CONTINUATION OF LEGAL PROCEEDINGS**

- 3.8.1 All legal proceedings of whatever nature by or against the Demerged Company, in relation to the Demerged Undertaking, if pending, on the Effective Date, shall not abate, be discontinued or be in any way prejudicially affected by reason of the vesting of the Demerged Undertaking in the Resulting Company or of anything contained in this Scheme but the proceedings may be continued, prosecuted and enforced by or against the Resulting Company, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Demerged Company, as if this Scheme had not been made.
- 3.8.2 The Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company in relation to the Demerged Undertaking referred to in Clause 3.8.1 above, transferred in its name and to have the same continued, prosecuted and enforced by or against the Resulting Company.

### **3.9 STAFF, WORKMEN AND EMPLOYEES OF DEMERGED UNDERTAKING**

- 3.9.1 Upon the Scheme becoming effective, all the staff, workmen and other employees engaged in the Demerged Undertaking of the Demerged Company, if any, immediately before Effective Date shall become the staff, workmen and employees of the Resulting Company on the basis that:
- i. their service should have been continuous and should not have been interrupted by reason of the demerger; and
  - ii. the terms and conditions of service applicable to the said staff, workmen or employees after such transfer, shall not in any way be less favorable to them than those applicable to them immediately before the transfer;
- 3.9.2 Further, it is expressly provided that, on the Scheme becoming effective, the existing provident fund, gratuity fund, superannuation fund and any other special fund and/or schemes and trusts (collectively referred to as "Funds"), if any, created or existing for the benefits of the employees of the Resulting Company, for all purposes whatsoever in relation to the administration or operation of such funds/trusts/schemes or in relation to the obligation to make contributions to the said funds/trusts/schemes in accordance with the provisions thereof as per the terms provided in the agreements/deeds governing such funds/trusts/schemes, if any, to the end and intent that all rights, duties, powers and obligations of the Demerged Company in relation to such funds/trusts/schemes shall become those of the Resulting Company. It is clarified that the services of the employees of the Resulting Company will be treated as having been continuous for the purpose of the said funds/trusts/schemes.

### PART III

#### 4. ALTERATION TO THE MEMORANDUM OF ASSOCIATION

- 4.1 On this Scheme becoming operative, the Authorized Share Capital of the Resulting Company shall increase to Rs. 27,00,00,000 (Rupees Twenty Seven Crores) in terms of its Memorandum of Association. The Resulting Company shall take necessary steps to increase and alter its Authorized Share Capital. Consequently, Clause "V" of the Memorandum of Association of the Resulting Company (relating to the Authorized Share Capital) shall without any further act, instrument or deed, be and stand altered, modified and amended and no separate resolutions under Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, shall be required to be adopted for effecting such modification and the capital clause being Clause V of the Memorandum of Association of the Transferee Company shall on the Effective Date stand substituted to read as follows:-

***"V. The Authorised Share Capital of the Company is Rs. 27,00,00,000 (Rupees Twenty Seven Crores) divided into 2,70,00,000 (Two Crore Seventy Lacs) Equity Shares of Rs. 10 (Rupees Ten) each"***

- 4.2 The approval of the Scheme by the shareholders of the Resulting Company and the Hon'ble High Court or any other appropriate authority, shall be deemed to be in due compliance with the provisions of Section 31 and other relevant and applicable provisions, if any, of the Act, for change in the Articles of Association of the Resulting Company, as provided in this Scheme. Further, the Resulting Company agrees to undertake steps, if any required to give effect to the amendment as above in the Articles of Association of the Resulting Company in the records of the Registrar of Companies, NCT of Delhi or any other appropriate authority.

#### 5. RE-ORGANIZATION OF SHARE CAPITAL OF THE RESULTING COMPANY

- 5.1 After the Scheme comes into effect, in consideration of the demerger including the transfer and vesting of the Demerged Undertaking in the Resulting Company, pursuant to Part II of this Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each member of the Demerged Company whose names are recorded in the register of members of the Demerged Company on the Record date, equity shares in the Resulting Company and the share capital of the Resulting Company shall be restructured and reorganized in the manner set out herein below:

***"Upon the coming into effect of the Scheme of Arrangement, pursuant to Part II of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each shareholder of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record date, the equity shares of the Resulting Company in the Share Entitlement Ratio of 6 Equity Share in the Resulting Company of Rs.10/- credited as fully paid up for every 5 Equity Shares of Rs10 /- each fully paid up held by such shareholder in the Demerged Company. The Equity Shares so issued and allotted, shall rank pari passu in all respects with the existing Equity Shares of the Resulting Company"***

- 5.2 Upon coming into effect of this Scheme, the reduction of Share Premium of the Demerged Company, shall form an integral part of the Scheme and the approval to the Scheme by the Shareholders and the Creditors of the Demerged Company, shall be deemed to be their consent under the provisions of Section 100 and any other applicable provisions of the Act, to such reduction of capital of the Demerged Company and the Demerged Company shall not be required to convene any separate meeting for that purpose. The order of the Hon'ble High Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act.

- 5.3 In case any Shareholder's holding in the Demerged Company is such that the shareholder becomes entitled to a fraction of an equity share of the Resulting Company, the Resulting Company shall consolidate such fractions and issue consolidated equity shares to Directors/Promoters/officers of the Resulting Company as the Board of Directors of Resulting company shall deem fit, who shall sell the same in the market after they are listed at the available price and pay the net proceed (after deduction of the expenses incurred) to the Resulting Company, whereupon the Resulting Company shall distribute the net sale proceeds to the shareholders respectively, entitled to the same, in proportion to their respective fractional entitlements in Resulting Company.

- 5.4 Upon the Scheme coming into effect, the issue and allotment of the shares as provided in this Scheme shall be carried out in accordance with the provisions of the Act. Each of the shareholders of the Demerged Company holding shares in physical form shall have the option, exercisable by notice, in writing by them to the Resulting Company on or before the Record Date, to receive the shares of the Resulting Company, either in certificate form or in dematerialized form, in lieu of their shares in the Demerged Company in accordance with the terms hereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares of the Resulting Company shall be issued to such members in physical form. Those of the members of the

Demerged Company who exercise the option to receive the shares in dematerialized form, shall be required to have an account with a depository participant and shall provide full details thereof and such other confirmations as may be required in the notice provided by such shareholders to the Resulting Company. It is only thereupon that the Resulting Company shall issue and directly credit the demat/dematerialized securities account of such member with the shares of the Resulting Company.

- 5.5 Upon the Scheme coming into effect, the members of the Demerged Company holding shares of the Demerged Company in dematerialized form shall have the option, exercisable by a notice in writing by them to the Resulting Company on or prior to the Record Date, to receive the shares of the Resulting Company either in certificate form or in dematerialized form, in lieu of their shares in the Demerged Company in accordance with the terms hereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares of the Resulting Company shall be issued to such members in dematerialized form as per the records maintained by the National Securities Depository Limited and / or Central Depository Services (India) Limited in terms of Clause 5.1 above.
- 5.6 Upon the coming into effect of this Scheme, the issue and allotment of new equity shares in the Resulting Company to the Shareholders of the Demerged Company as provided in this Scheme, shall be deemed to have been carried out in compliance with the procedure laid down under applicable provisions, if any, of the Act and it is clarified that no separate approvals shall be obtained by the Resulting Company in this regard.
- 5.7 For the purpose aforesaid, the Resulting Company shall, if and to the extent required, apply for and obtain any approvals including that of Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the Resulting Company of New Equity Shares to the members of the Demerged Company.
- 5.8 The entire Equity Share Capital of the Resulting Company including the New Equity Shares issued in terms hereof shall, subject to payment of the appropriate fee and approval of the respective stock exchange(s), be listed on recognized stock exchange(s) in India, where the shares of the Demerged Company are already listed.
- 5.9 The New Equity Shares in the Resulting Company allotted pursuant to the Scheme shall remain frozen in the depositories system till listing / trading permission is given by the designated stock exchanges.
- 5.10 There shall be no change in the shareholding pattern or control in the Resulting Company between the Record Date and the listing in the designated stock exchanges.
- 5.11 Upon coming into effect of this Scheme and pursuant to the allotment of shares by the Resulting Company in terms of Clause 5.1 above, the existing share premium account of the Demerged Company, amounting to Rs. 2,778,164,164/- shall be reduced to Rs. 1,710,389,823 /- shall be cancelled, forming an integral part of this Scheme, in accordance with provisions of sections 100 to 103 of the Act and order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under section 102 of the Act, for the purpose of confirming the reduction in the share premium of the Demerged Company. The reduction in the share premium of the Demerged Company, shall not involve any diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable in respect thereof.
- 5.12 Upon coming into effect of this Scheme, no special resolution under section 81(1A) of the Act, shall be required to be passed by the Resulting Company separately in a General Meeting for issue of shares to the shareholders of the Demerged Company under the Scheme and upon the members of the Resulting Company approving the Scheme, it shall be deemed that they have given their consent to the issue of shares of the Resulting Company to the shareholders of the Demerged Company on the basis of the Share Entitlement Ratio.
- 5.13 Upon coming into effect of this Scheme, where shares are to be allotted under this Clause to the heirs, executors or administrators or, as the case may be, to the successors of the deceased equity shareholders of the Demerged Company, the concerned heirs, executors or administrators or, as the case may be, the successors shall be obliged to produce evidence of title satisfactory to the Board of Directors of the Resulting Company.
- 5.14 The shares proposed to be allotted pursuant to the Scheme shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Resulting Company and shall rank *pari passu* with the existing shares of the Resulting Company, including the rights in respect of dividend and bonus shares, if declared by the Resulting Company on or after the Effective Date as specified in Clause 8.

## PART IV

### 6. GENERAL TERMS AND CONDITIONS

#### 6.1 CONDUCT OF THE BUSINESS AS AND FROM THE APPOINTED DATE TILL EFFECTIVE DATE

6.1.1 The Demerged Company in relation to the Demerged Undertaking, undertakes to preserve and carry on the business, with reasonable diligence and business prudence and shall not undertake financial commitments or sell, transfer, alienate, charge, mortgage, or encumber or otherwise deal with or dispose of any of properties, assets and liabilities in relation to the Demerged Undertaking or any part thereof save and except in each case:

- a. if the same is in its ordinary course of business; or
- b. if the same is expressly permitted by this Scheme; or
- c. if the prior written consent of the Board of Directors of the Resulting Company has been obtained.

6.1.2 The Demerged Company with effect from the Appointed Date and up to and including the Effective Date:

- i. Shall carry on and shall be deemed to have carried on all its business and activities as hitherto and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Demerged Company in relation to the Demerged Undertaking on account of, and for the benefit of and in trust for the Resulting Company.
- ii. All the profits or incomes accruing or arising to the Demerged Company in relation to the Demerged Undertaking, or expenditure or losses arising or incurred (including but not limited to the effect of advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country, etc.), thereon by the Demerged Company in relation to the Demerged Undertaking shall, for all purposes, be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses or effect of taxes as the case may be, of the Resulting Company.
- iii. Any of the rights, powers, authorities, privileges, attached, related or pertaining to or exercised by the Demerged Company, in respect of the Demerged Undertaking, shall be deemed to have been exercised by the Demerged Company, for and on behalf of, and in trust for and as an agent of the Resulting Company. Similarly, any of the obligations, duties, commitments attached, related or pertaining to the Demerged Company that have been undertaken or discharged by the Demerged Company, shall be deemed to have been undertaken for and on behalf of and in trust for and as an agent for the Resulting Company.

From the Appointed Date until the coming into effect on the Effective Date of this Scheme, the Demerged Company shall not make any change in its capital structure either by any increase, (by issue of equity shares on a rights basis, bonus shares, convertible debentures or otherwise) or by decreasing, reducing, re-classification, sub-division or consolidation, re-organization, or in any other manner which may, in any way, affect the Share Entitlement Ratio (as provided in clause 5.1 above), except by mutual consent of the respective Board of Directors of the Demerged Company and the Resulting Company or as may be expressly permitted under this Scheme or as may be required to give effect to the Scheme.

6.1.3 As and from the Appointed Date and till the Effective Date:

- i. All assets and properties which are acquired by the Demerged Company in relation to the Demerged Undertaking, on or after the Appointed Date, in accordance with the Scheme, shall be deemed to be the assets and properties of the Resulting Company.
- ii. All debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations which arise or accrue to the Demerged Company in relation to the Demerged Undertaking, on or after the Appointed Date in accordance with this Scheme, shall be deemed to be debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations of the Resulting Company.

6.1.4 Any issue as to whether any asset or liability pertains to Demerged Undertaking or not shall be decided by the Board of Directors of the Demerged Company and the Resulting Company, either by themselves or through a Committee appointed by them in this behalf, on the basis of such evidence as they may deem relevant (including the books and records of the Demerged Company).

6.1.5 The Demerged Company and the Resulting Company shall make and/or revise their income tax returns and related TDS certificates and shall have the right to claim refund, advance tax credits, Fringe Benefit Tax Credits, etc. separately, on the Scheme becoming effective as on the Effective Date.

- 6.1.6 Since each of the permissions, approvals, consents, sanctions, remissions, special reservations, holidays, incentives, concessions and other authorizations in relation to the Demerged Undertaking of the Demerged Company, shall stand transferred by the order of the Hon'ble High Court to the Resulting Company, the Resulting Company shall file the relevant intimations, for the record of the statutory authorities who shall take them on file, pursuant to the vesting orders of the said Court.
- 6.1.7 For the purpose of giving effect to the vesting order passed under Sections 391 and 394 of the Act in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders on this Scheme be entitled to get the record of the change in the title and appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking of the Demerged Company in the Resulting Company in accordance with the provisions of Sections 391 and 394 of the Act. Upon the Scheme becoming effective and with effect from the Appointed Date, the filing of certified copies of the order of Hon'ble High Court sanctioning this Scheme shall constitute a creation / modification of charge in the name of the Resulting Company in accordance with the provisions of Section 127 of the Act and satisfaction of charge in respect of the Demerged Company in accordance with Section 138 of the Act, if there are any existing charges attaching to the Demerged Undertaking.
- 6.1.8 With effect from the Effective Date, the Resulting Company shall commence and carry on and shall be authorized to carry on the business of the Demerged Undertaking of the Demerged Company.
- 6.1.9 The Resulting Company shall not vary terms and conditions of service of its employees except in the ordinary course of its business.

## **7. ACCOUNTING TREATMENT**

### **7.1 Treatment in the books of Demerged Company**

7.1.1 Upon coming into effect of the Scheme, the Demerged Company shall give effect to the following accounting treatment as at the Appointed Date:

- i. The Demerged Company shall upon the Scheme becoming effective, record the deletion of the assets and liabilities of the Demerged Undertaking transferred to and vesting in the Resulting Company, pursuant to this Scheme at their respective book values as appearing in its books as at the close of business of a day (i.e. 31<sup>st</sup> March, 2012), immediately preceding the Appointed Date.
- ii. The difference between the book value of the assets (net of diminution/depreciation, if any) and the book value of the liabilities of the Demerged Company that is transferred to the Resulting Company pursuant to the Scheme, if any, would be debited to the Share Premium Account in accordance with the provisions of Section 100 of the Act and the balance, if remaining thereafter, would be adjusted against the General Reserve Account.
- iii. The application and consequential reduction of Share Premium Account, as per sub-clause (ii) above, shall form an integral part of the Scheme itself, as the same does not involve any diminution of liability in respect of unpaid Share Capital or payment, to any shareholder of paid-up Share Capital and the order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under Section 102 of the Act, confirming the reduction in the Share Premium Account of the Demerged Company.

### **7.2 Treatment in the books of Resulting Company**

7.2.1 Upon coming into effect of the Scheme, the Resulting Company shall follow the accounting treatment laid down as under, at the Appointed Date:

- i. The Resulting Company shall, record the assets and liabilities (difference between the assets and liabilities hereinafter referred to as "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of the Demerged Company, at the close of business of the day immediately preceding the Appointed Date;
- ii. The Resulting Company shall credit to its Share Capital Account in its books of accounts, the aggregate face value of the new equity shares issued by it to the members of the Demerged Company pursuant to Clause 5.1 of this Scheme.
- iii. The difference between the Net Asset and amount credited to the Share Capital account shall be credited in to "Capital Reserve Account".

## **8. DIVIDENDS, PROFITS, BONUS/RIGHTS SHARES**

8.1 The Demerged Company shall not utilize the profits or income of Demerged Undertaking, if any, for the purpose of

declaring or paying any dividend (whether interim or final) or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of the Resulting Company.

- 8.2 The Resulting Company shall not issue or allot, after the Appointed Date or the date of this Scheme being approved by the Board of Directors, whichever is later, any rights shares, bonus shares, etc. without the prior consent of the Board of Directors of the demerged Company.
- 8.3 The demerged Company shall not issue or allot, after the Appointed Date or the date of this Scheme being approved by the Board of Directors, whichever is later, any rights shares, bonus shares, etc. without the prior consent of the Board of Directors of the Resulting Company.
- 8.4 The Demerged Company in relation to the profits or income of Residual Undertaking and the Resulting Company shall be entitled to declare and pay dividends, whether interim or final, to their respective equity shareholders prior to the Effective Date, provided that the equity shareholders of the Demerged Company shall not be entitled to dividend, if any, declared and paid by the Resulting Company to its equity shareholders prior to the Effective Date.
- 8.5 The holders of the equity shares of the Demerged Company and the Resulting Company shall, save as expressly provided otherwise in the Scheme continue to enjoy their existing rights under their respective Articles of Association including the right to receive dividends.
- 8.6 It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of the Demerged Company and/or the Resulting Company to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the Boards of Directors of each of the Demerged and the Resulting Company and subject, wherever necessary, to the approval of the shareholders of the Demerged Company and Resulting Company respectively.

**9. TRANSFER OF THE DEMERGED UNDERTAKING OF THE DEMERGED COMPANY**

On the scheme becoming effective, the Demerged Undertaking of the Demerged Company shall be transferred without any further act, deed or instrument, and shall be merged into the Resulting Company.

**10. TREATMENT OF TAXES**

Any tax liabilities under the Income Tax Act or other applicable laws or regulations allocable to the Demerged Company, in relation to Demerged Undertaking, to the extent not provided for or covered by any tax provision in the accounts of the Demerged Company made as on the date immediately preceding the Appointed Date, shall be transferred to the Resulting Company. Any surplus in the provision for taxation or duties or levies in the accounts of the Demerged Company in relation to Demerged Undertaking, including advance tax and tax deducted at source as on the close of business in India on 31<sup>st</sup> March, 2012, will also be transferred to the account of the Resulting Company.

**11. APPLICATION TO HON'BLE HIGH COURT**

The Demerged Company on behalf of its Demerged Undertaking and the Resulting Company shall make necessary applications under the provisions of Sections 391 to 394 and other applicable provisions, if any, of the Act to the Hon'ble High Court of Delhi for sanction of this Scheme and for the consequent transfer of the Demerged Undertaking to the Resulting Company and its subsequent merger thereof.

**12. SCHEME CONDITIONAL UPON AND SUBJECT TO**

- 12.1 The Scheme being agreed to by the respective requisite majorities of the members, secured and unsecured creditors of both, the Demerged Company and the Resulting Company, as may be required by the Hon'ble High Court either at a meeting or through consent/ No-objection Letters on the application made for directions under Section 391 of the Act for calling/ dispensing of the meetings and necessary resolution if any, to be passed under the Act for the purpose of the Scheme.
- 12.2 Sanction of the Hon'ble High Court under section 391 and 394 of the Act and necessary order or orders under section 394 of the Act being obtained.
- 12.3 Such other sanction and approvals as may be required by law in respect of the Scheme being obtained.
- 12.4 This Scheme, although to come into operation from the Appointed Date, shall not become effective until the date on which the certified copies of the orders of the Hon'ble High Court under Sections 391 and 394 of the Act are duly filed with the offices of the respective Registrar of Companies, where both the Demerged Company and the Resulting Company registered.

**13. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

In the event of the Scheme not being sanctioned by the Court and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and in that event, no rights and liabilities shall, inter se, accrue between the parties in terms of the Scheme, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law. Each party shall bear and pay its respective costs, charges and expenses for and/or in connection with the Scheme.

**14. OPERATIVE DATE OF THE SCHEME**

This Scheme of Arrangement shall be operative with effect from the Appointed Date but shall be effective from the Effective Date.

## PART V

### OTHER TERMS AND CONDITIONS

#### 15. APPROVALS AND MODIFICATIONS

##### 15.1 MODIFICATION OR AMENDMENT TO THE SCHEME

15.1.1 Demerged Company and the Resulting Company may assent from time to time on behalf of all persons concerned to any modifications or amendments or additions to this Scheme or to any conditions or limitations which either the Board of Directors or a committee or committees of the concerned Board of Directors authorized in that behalf by the concerned Board of Directors (hereinafter referred to as the "Delegates") of the Demerged Company in relation to the Demerged Undertaking and the Resulting Company deem fit, or which the Hon'ble High Court or any other authorities under law may deem fit to approve of or impose and which the Demerged Company in respect of the Demerged Undertaking and the Resulting Company may in their discretion deem fit and to resolve all doubts or difficulties that may arise for carrying out this Scheme and to do and execute all acts, deeds, matters and things necessary for bringing this Scheme into effect, or to review the position relating to the satisfaction of the conditions to this Scheme and if necessary, to waive any of those (to the extent permissible under law) for bringing this Scheme into effect.

15.1.2 In the event that Demerged Company and the Resulting Company may find any of the modifications or conditions which may be imposed by the Hon'ble High Court or other authorities unacceptable for any reason, then the Demerged Company and the Resulting Company are at liberty to withdraw the Scheme. The aforesaid powers of the Demerged Company and the Resulting Company may be exercised by the Delegates of the respective Companies.

15.1.3 For the purpose of giving effect to this Scheme or to any modifications or amendments thereof or additions thereto, the Demerged Company and the Resulting Company or their Delegates may give and are authorized to determine and give all such directions as may be necessary including directions for settling or removing any question of doubt or difficulty that may arise and such determination or directions, as the case may be, shall be binding on all parties, in the same manner as if the same were specifically incorporated in this Scheme.

##### 15.2 CONSENT OF MEMBERS AND DIRECTORS

15.2.1 On the approval of the scheme by the members of the Demerged Company and the Resulting Company, pursuant to section 391 of the Act, it shall be deemed that the said members have also accorded all relevant consents under section 31 and any other provisions of the Act to the extent the same may be considered applicable.

15.2.2 The directors of each of the Demerged Company and the Resulting Company may be deemed to be concerned and/or interested in the scheme to the extent of their shareholding in the Company, or to the extent the said directors are common directors in the Company, or to the extent the said directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust, that hold shares in the company.

##### 15.3 COST, CHARGES & EXPENSES

15.3.1 All costs, charges and expenses, including any taxes and duties of the Demerged Company in respect of the Demerged Undertaking and the Resulting Company respectively, in relation to or in connection with this Scheme and incidental to the completion and implementation of this Scheme of Arrangement of the Demerged Company and the Resulting Company in pursuance of this Scheme shall be borne and paid as mutually agreed between the Resulting Company and the Demerged Company.

15.3.2 The Demerged Company and the Resulting Company shall also take all such other steps as may be necessary or expedient to give full and formal effect to and implement the provisions of this Scheme.

15.3.3 In the event of non-fulfillment of any or all obligations under this Scheme by any party towards any other party, *inter-se* or to third parties and non-performance of which will place the other party under any obligation, then such defaulting party will indemnify all costs and interest to such other affected party.



## FAIRNESS OPINION

Date: November 19th, 2012

The Board of Directors  
**Pearl Global Industries Ltd. ("PGIL")**  
A-3, Community Center, Naraina Industrial Area, Phase - II  
New Delhi - 110028

AND

The Board of Directors  
**PDS Multinational Fashions Ltd. ("PDS")**  
A-3, Community Center, Naraina Industrial Area, Phase - II  
New Delhi - 110028

**Subject: Clause 24 (h) of the Listing Agreement: "Fairness Opinion" of Independent Merchant Banker**

**Ref: Scheme of Arrangement between Pearl Global Industries Ltd. ("PGIL") & PDS Multinational Fashions Ltd. ("PDS") and their respective Shareholders & Creditors through Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956**

Dear Sir(s),

With reference to the Proposed Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 between Pearl Global Industries Ltd. ("PGIL or Transferor") & PDS Multinational Fashions Ltd. ("PDS or Transferee") & their respective Shareholders & Creditors in pursuance to business valuation carried out by **S. R. Dinodia & Co., Chartered Accountants and B. R. Gupta & Co., Chartered Accountants ("the Valuers.")** for determining the fair share exchange ratio of PGIL and PDS as on March 31st, 2012.

We as a Merchant Banker hereby certify that pursuant to the Clause 24 (h) of the Listing Agreement, we have reviewed the valuation report prepared by the Valuers and are of the opinion that the Swap Ratio (Exchange Ratio) of Shares of the above companies should be taken as "Fair" for the Proposed scheme of arrangement section 391 to 394 of the Companies Act, 1956 under in view of our understanding & review of the report of the Valuers herein placed below:

### 1. ABOUT THE COMPANIES

The Business Segments of both the companies are given herein under:

**Pearl Global Industries Ltd. ("PGIL")** - the Demerged Company was incorporated on July 5th, 1989 under the Companies Act, 1956 with the Registrar of Companies, Delhi. The company is engaged in the business of manufacturing, export, import and trading which includes sourcing, distribution and marketing of ready to wear garments. The Shares of the company are listed on both National Stock Exchange (NSE) & Bombay Stock Exchange (BSE).

**PDS Multinational Fashions Limited ("PDS")** - the Resulting Company was incorporated on April 6th, 2011. PDS is the wholly owned subsidiary of PGIL and is inter - alia engaged in the business of trading which includes sourcing, distribution and marketing of ready to wear garments. The Shares of the company are not listed on any stock exchange.

### 2. PROPOSED SCHEME OF ARRANGEMENT

PGIL is planning to demerge one of its undertakings (i.e. Sourcing, Distribution and Marketing business of PGIL) and will merge the said undertaking with and into PDS pursuant to Sections 391 to 394 of the Companies Act, 1956 and PDS will be the Resulting Entity. The Equity Shares of PDS will be issued to the equity shareholders of PGIL on a proportionate basis as per fair exchange ratio of 6:5 (i.e. 6 Equity Shares of Rs. 10 each fully paid in PDS shall be offered for every 5 Equity Shares of Rs. 10 each fully paid up held in PGIL) as calculated by Valuers.

### 3. PURPOSE OF VALUATION

Pursuant to the scheme of arrangement PGIL is proposing for the demerger of the Demerged Undertaking from it and subsequent merger/amalgamation of the said Demerged Undertaking with and into PDS, the shareholders of PGIL are to be allotted shares of PDS, as per the proposed Scheme of Arrangement. For this purpose, a proper valuation of the Shares of both the entities needs to be carried out in compliance with Sections 391 to 394 as prescribed under the Companies Act, 1956 and stock exchange listing requirements.

### 4. VALUATION APPROACH BY VALUER

For the purpose of ascertaining the reasonableness of this valuation, various quantitative factors have been considered by the Valuer based upon the financial details of the respective companies. The Valuer has determined the respective Equity Valuation of the above companies for determining the exchange ratio by using Net Asset Value Method.

The valuer has further taken into account the increased net worth of the subsidiaries of the demerged entity, copies of annual accounts and other financial statements of the companies under arrangement besides the discussions with the management of both the companies regarding past and present operations of these companies in order to arrive at proper valuation of the respective business(es).

### 5. Our Opinion with Regard to the Overall Valuation Methodology

On the basis of our understanding and on the basis of independent valuation done by the valuers, we hereby opine that the Share Exchange Ratio of 6:5, i.e. shareholders holding five (5) Equity Shares of Rs. 10 each fully paid of PGIL would get six (6) Equity Shares of Rs. 10 each fully paid up of PDS as determined by the valuers, is **fair and reasonable** and may be adopted for share exchange with regard to the proposed de-merger of the companies.

### 6. Disclaimer Clause

We hereby declare that we have no direct / indirect interest in the Companies/assets valued. Our work did not constitute an audit in accordance with the Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services.

Further, we would like to represent that the above valuation exercise used in the determination of above exchange ratio does not necessarily represent a pure scientific approach or a universally used valuation methodologies. Since the valuation is a very dynamic and subjective in nature, the values have been derived and frozen on the basis of related assumptions through an independent opinion on the basis of the material facts placed thereon. Further, our opinion with regard to the fairness on the valuation done by the valuer is done purely to ascertain "Fairness" from a general & independent point of view and has mainly concentrated towards ensuring that no material discrepancies are prevalent in the report. We would also like to take this opportunity to thank the management of both the companies for the cooperation and support provided to our team in carrying out this assignment. This certificate is being issued on the request of the company for filing the same with regulatory authorities.

For NEXGEN FINANCIAL SOLUTIONS PRIVATE LIMITED

Sd/-  
SUKHVINDER SINGH

**FORM OF PROXY**

I/We \_\_\_\_\_ the undersigned, Shareholder(s) of Pearl Global Industries Limited Applicant No. 1/ Transferor Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ and failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy, to act for me /us at the meeting of the Shareholders of the Pearl Global Industries Limited to be held on Friday, the 04<sup>th</sup> day of October, 2013 at 10:30 A.M. at Sri Sathya Sai International Centre Pragati Vihar, Lodhi Road, New Delhi, for the purpose of considering and, if thought fit, approving, with or without modification(s), the proposed Scheme of Arrangement by and between Pearl Global Industries Limited and PDS Multinational Fashions Limited, and their respective shareholders and creditors at such meeting and any adjournment(s) thereof, to vote, for me/us and in my/our name(s) \_\_\_\_\_ (here "if for" insert "for", "if against" insert "against" and in the latter case strike out the words appearing after "Scheme of Arrangement") the said Scheme of Arrangement either with or without modifications as my/our proxy may approve.

(Strike out what is not necessary)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2013



Signature .....

Name : .....

Address: .....

.....

Folio No. (for physical holding) .....

DP ID/Client ID for (demat holding) .....

**Stike out which ever is not necessary**

**Notes:**

- 1. The Proxy should be deposited at the Registered Office of at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028, not later than 48 hours before the commencement of the meeting.
- 2. In case of multiple Proxies, Proxy later in time shall be accepted.
- 3. All alterations made in the Form of Proxy should be initialed.

**ATTENDANCE SLIP**

**(PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE REGISTRATION COUNTER FOR ISSUING GATEPASS FOR ENTERING THE MEETING HALL)**

I/We hereby record my / our presence at the Court convened meeting of the Shareholders of Pearl Global Industries Limited, Applicant No. 1/Transferor Company, to be held on Friday, the 04<sup>th</sup> day of October, 2013 at 10:30 A.M. at Sri Sathya Sai International Centre Pragati Vihar, Lodhi road, New Delhi, for the purpose of considering and, if thought fit, approving, with or without modifications the proposed Scheme of Arrangement by and between Pearl Global Industries Limited and PDS Multinational Fashions Limited and their respective Shareholders and Creditors, at such meeting and any adjournment(s) thereof.

Signature .....

Name : .....

Address: .....

**Notes:**

- 1. Shareholders / proxy holders are requested to bring the original Attendance Slip duly filled with them when they come to the meeting venue and hand it over at the Registration Counter.
- 2. Incomplete attendance slips shall not be accepted for issuing the gate pass for entry in the meeting hall.



**PearlGlobal**

**PEARL GLOBAL INDUSTRIES LIMITED**

**COURT CONVENED MEETING OF THE  
UNSECURED CREDITORS**

**INDEX**

**Day** : Friday

**Date** : 04th October, 2013

**Time** : 02:30 p.m.

**Venue** : Sri Sathya Sai International Centre,  
Pragati Vihar, Lodhi Road,  
New Delhi - 110003

<b>S. No.</b>	<b>Description</b>	<b>Page No.</b>
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**Registered Office:**

A-3, Community Centre, Naraina Industrial Area, Phase - II, New Delhi - 110 028

IN THE HIGH COURT OF DELHI AT NEW DELHI  
ORDINARY ORIGINAL JURISDICTION  
COMPANY APPLICATION (M) NO. 100 OF 2013

IN THE MATTER OF:

The Companies Act, 1956

AND

IN THE MATTER OF:

A joint application under Section  
391 to 394 of the said Act

AND

IN THE MATTER OF:

**Pearl Global Industries Limited**, a Public Limited Company incorporated on 5<sup>th</sup> July 1989, under the Companies Act, 1956, having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

... APPLICANT NO. 1/  
TRANSFEROR COMPANY/  
DEMERGED COMPANY

AND

**PDS Multinational Fashions Limited**, a Public Limited Company incorporated on 6<sup>th</sup> April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

... APPLICANT NO.2/  
TRANSFEREE COMPANY/  
RESULTING COMPANY

## NOTICE CONVENING MEETING OF THE UNSECURED CREDITORS OF PEARL GLOBAL INDUSTRIES LIMITED

To,

The Unsecured Creditors of PEARL GLOBAL INDUSTRIES LIMITED

TAKE NOTICE that by an order made on 02<sup>nd</sup> August, 2013, the Hon'ble High Court of Delhi has directed that a meeting of the Unsecured Creditors of the Company PEARL GLOBAL INDUSTRIES LIMITED (PGIL) be held for the purposes of considering, and if thought fit, approving, with or without modification, the proposed Scheme of Arrangement between Pearl Global Industries Limited and PDS Multinational Fashions Limited, fully described above and their respective Equity Shareholders and Unsecured Creditors and Secured Creditors.

TAKE FURTHER NOTICE that in pursuance of the said order, a meeting of the Unsecured Creditors of PGIL will be held on Friday, 04<sup>th</sup> October, 2013 at 2:30 P. M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi, which you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or through proxy, provided that a proxy in the prescribed form, duly signed by you, is deposited at the Registered Office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028, not later than 48 hours before the meeting.

The Hon'ble High Court of Delhi has appointed Mr. Dheeraj Trikha, Advocate as Chairperson and failing him, Ms. Mahima Pahwa, Advocate as Alternate Chairperson of the said meeting.

A copy of each of the Scheme of Arrangement, the Statement under section 393 of the Companies Act, 1956, fairness Opinion, form of proxy and attendance slip are enclosed.

Dated this 26<sup>th</sup> day of August, 2013

(Malini Sud)  
Advocate  
Counsel for Applicant Company  
D – 41, Defence Colony  
New Delhi - 110024

Sd/-  
(Dheeraj Trikha)  
Advocate  
Chairperson appointed for the meeting

### NOTE:

1. All alterations made in the Form of Proxy should be initialed.
2. Corporate shareholders intending to send their authorized representative to attend the meeting are requested to bring along, with the, a certified true copy of resolution of the Board of Director's or its Committee thereof / Power of Attorney, authorizing such person to attend and vote on its behalf at the meeting.
3. Unsecured Creditor / proxy to bring in proof of identification (like voter id card, passport, driving license, adhar card) in original and a photocopy.

**IN THE HIGH COURT OF DELHI AT NEW DELHI  
ORDINARY ORIGINAL JURISDICTION  
COMPANY APPLICATION (M) NO. 100 OF 2013**

IN THE MATTER OF:

The Companies Act, 1956

AND

IN THE MATTER OF:

A joint application under Section  
391 to 394 of the said Act

AND

IN THE MATTER OF:

**Pearl Global Industries Limited**, a Public Limited Company incorporated on 5<sup>th</sup> July 1989, under the Companies Act, 1956, having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO. 1/  
TRANSFEROR COMPANY/  
DEMERGED COMPANY**

AND

**PDS Multinational Fashions Limited**, a Public Limited Company incorporated on 6<sup>th</sup> April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO.2/  
TRANSFeree COMPANY/  
RESULTING COMPANY**

## EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. A Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956 ("Act") is proposed by and between Pearl Global Industries Limited ("PGIL"), the Transferor Company with PDS Multinational Fashions Limited ("PDS"), the Transferee Company. In terms of the Scheme of Arrangement of PGIL with PDS ("**Scheme**") the Demerged Undertaking of PGIL will demerge from PGIL and amalgamate and merge with and into PDS which will thereby result in continued existence of the residual undertaking of PGIL and PDS, the resulting company.

PGIL and PDS had filed a Joint Application being Company Application (Main) No. 100 of 2013 before the Hon'ble High Court of Delhi seeking directions from the Hon'ble Court for convening the meetings of the Shareholders, Secured Creditors and Unsecured Creditors of PGIL for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme. The Hon'ble High Court of Delhi, by an order dated 02<sup>nd</sup> August, 2013 has directed the convening of the following separate meetings to consider the Scheme:-

### For PGIL (Demerged/Transferor Company)

Meeting of Shareholders – On 04<sup>th</sup> October, 2013 at 10:30 A.M.

Meeting of Secured Creditors – On 04<sup>th</sup> October, 2013 at 12:30 P.M.

Meeting of Unsecured Creditors – On 04<sup>th</sup> October, 2013 at 02:30 P.M.

All the above meetings are to be held at the Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme.

This Statement explaining the terms of the Scheme is being furnished as required under Section 393 (1) (a) of the Companies Act, 1956.

2. The Scheme was placed before the Board of Directors of PGIL and PDS at the Board meeting both held on 12<sup>th</sup> November, 2012. The Board of Directors of both the PGIL and PDS have approved the Scheme and filing thereof before the Hon'ble High Court of Delhi and all other acts incidental thereto. Further, a Board Resolution was passed by the Board of Directors of PGIL held on 30<sup>th</sup> May, 2013 approving the compliance of SEBI Circular dated 21.05.2013.
3. Transferor Company/Demerged Company i.e. Pearl Global Industries Limited was incorporated on 05<sup>th</sup> July, 1989 vide Certificate of Incorporation issued by the Registrar of Companies, NCT of Delhi & Haryana dated 05<sup>th</sup> July, 1989 vide CIN L74899DL1989PLC036849 as Mina Estates Private Limited. The name was changed to House of Pearl Fashions Private Limited on 19<sup>th</sup> June, 2006 and was further changed to House of Pearl Fashions Limited, with effect from 31<sup>st</sup> July, 2006, consequent upon its conversion to a public limited company. The name of the company was again changed to Pearl Global Industries Limited on the 20<sup>th</sup> March, 2012.

PGIL is engaged in the business of manufacturing, export, import and trading which includes Sourcing, Distribution and Marketing of ready to wear garments.

The Authorised Share Capital of the Transferor Company as on 01<sup>st</sup> April, 2012 is Rs. 84,01,00,000/- (Rupees Eighty Four Crore and One Lakh Only) comprising of 5,14,40,000 Equity shares of Rs. 10/- each being Rs. 51,44,00,000/- (Rupees Fifty One Crore Forty Four Lacs only), 10,000 4% Non-Cumulative Redeemable Preference shares of Rs. 10/- each being Rs. 1,00,000/- (Rupees One Lakh only) and 32,56,000 10.5% Non-Cumulative Redeemable Preference shares of Rs. 100/- each being Rs. 32,56,00,000/- (Rupees Thirty Two Crores Fifty Six Lacs Only). The Issued, Subscribed and Paid-Up Share Capital of the Transferor Company, as on 1<sup>st</sup> April, 2012 is Rs. 21,66,39,370/- (Rupees Twenty One Crore Sixty Six Lacs Thirty Nine Thousand and Three Hundred and Seventy only) comprising of 2,16,63,937 Equity Shares of Rs. 10/ each fully paid up. The share capital structure of Transferor Company, PGIL as on 01<sup>st</sup> April 2012 is as under:

Particulars	Amount (Rs)
<b><u>Authorized Capital</u></b>	
51,440,000 Equity Shares of 10/- each	514,400,000
10,000 4% Non Cumulative Redeemable Preference Shares of Rs.10/- each	100,000
3,256,000 10.5% Non Cumulative Redeemable Preference Shares of Rs.100/- each	325,600,000
<b><u>Issued, Subscribed &amp; Paid up Capital</u></b>	
21,663,937 Equity Shares of Rs.10/- fully paid up	216,639,370

4. Transferee Company, PDS a wholly owned subsidiary of the Transferor Company was incorporated on 06<sup>th</sup> April, 2011 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, NCT of Delhi & Haryana dated 06<sup>th</sup> April, 2011 vide CIN U18101DL2011PLC217162.



PDS is engaged in the business of trading which includes Sourcing, Distribution and Marketing of ready to wear garments. The Authorised Share Capital of the Transferee Company as on 01<sup>st</sup> April, 2012 is Rs. 50,00,000/- (Rupees Fifty Lacs Only) being 5,00,000/- equity shares of Rs. 10/- each. The Issued, Subscribed and Paid-Up Share Capital of the Transferee Company, as on 1<sup>st</sup> April, 2012 is Rs.5,00,000/- (Rupees Five Lacs only) being 50,000/- equity shares of Rs. 10/- each fully paid up. The share capital structure of Transferee Company (PDS) as on 01<sup>st</sup> April 2012 is as under:

Particulars	Amount (Rs)
<b>Authorized Capital</b>	
500,000 Equity Shares of 10/- each	
<b>Issued, Subscribed &amp; Paid up Capital</b>	50,00,000
50,000 Equity Shares of Rs.10/- fully paid up	5,00,000

5. The circumstances, reasons and grounds that have necessitated and/ or justify the said Scheme are, *inter alia*, as follows:
- The Sourcing Distribution & Marketing business of the Transferor Company is a growing business, having the capability of attracting different set of investors, strategic partners, lenders and stakeholders. In the view of the same, it will be beneficial to merge the demerged undertaking of the Transferor Company into the Transferee Company.
  - Considering the size of the Transferor Company and its significant growth in its business operations, it would be advantageous to re-organize it by demerging the Demerged Undertaking of the Transferor Company and subsequently amalgamating the said Demerged Undertaking with and into Transferee Company.
  - The re-organization will ensure better operational management and focus on accelerated growth of individual units, with higher returns to the shareholders, creditors, employees and also to the public in general.
  - Demerger of the said business of the Transferor Company will enable having focused management attention on the said business.
  - The Proposed Scheme of Arrangement is in the interest of all the parties to the Scheme and their respective shareholders and creditors, and will in the long term be in the interest and welfare of the employees.
6. The registered office of PGIL and PDS is situated in New Delhi. Therefore, PGIL and PDS have filed their joint application for the approval of the Scheme before the Hon'ble High Court of Delhi, having competent jurisdiction.
7. On the scheme being approved by its Shareholders, Secured and Unsecured Creditors, as the case may be, joint petition will be filed under Section 394 of the Companies Act, 1956 before the Hon'ble High Court of Delhi, for sanction of the Scheme.
8. No investigation proceedings have been instituted or are pending under Section 235 to 251 of the Companies Act, 1956 against the Transferor Company and Transferee Company.
9. The directors of PGIL may be deemed to be concerned and/or interested in the Scheme to the extent of their shareholding in the Transferor Company. The directors of PDS may also be deemed to be concerned and/or interested in the Scheme to the extent, the said directors are the partners/members of PDS, firms, association of persons or bodies corporate and/or beneficiaries of trust that hold shares in PDS or to the extent they may be allotted shares in PDS as a result of the scheme.
10. PGIL is a listed company and has obtained no objection/approval to the Scheme from the National Stock Exchange and Bombay Stock Exchange vide their letters dated 12<sup>th</sup> April, 2013 and subsequently, vide their letters dated 10<sup>th</sup> July, 2013 and 11<sup>th</sup> July, 2013, respectively in pursuance of the Undertaking filed by PGIL in compliance with the SEBI circulars dated 04<sup>th</sup> February, 2013 and 21<sup>st</sup> May, 2013.
11. List of Directors of PGIL together with the Shares held by them in the PGIL as on 30 June, 2013 is given below:-

S. No.	Names of Directors	Number of Shares held in PGIL
1	Mr. Deepak Seth	15,44,499
2	Mr. Pallak Seth	13,17,646
3	Mr. Pulkit Seth	15,11,384
4	Mrs. Shefali Seth	30
5	Mr. Chitranjan Dua	NIL
6	Mr. Rajendra kumar Aneja	NIL
7	Mr. Anil Nayar	NIL
8	Dr. Ashutosh Prabhudas Bhupatkar	NIL
9	Mr. Samar Ballav Mohapatra	NIL
10	Mr. Vinod Vaish	NIL

12. List of Directors of PDS together with the Shares held by them in PDS as on 30 June, 2013 is given below:-

S. No.	Names of Directors	Number of Shares held in PDS
1	Mr. Deepak Seth	1*
2	Mrs. Payel Seth	1*
3	Mr. Pulkit Seth	1*
4	Mr. Pallak Seth	1*
5	Mr. A.K.G. Nair	NIL
6	Mr. Omprakash S Makam	NIL

\* For and on behalf of PGIL as its nominee

13. In consideration of this Scheme and as an integral part thereof, the share capital of PDS shall be restructured and reorganized in the manner set out herein below:

Particulars	Amount (Rs.)
<b>Authorised:</b>	
2,70,00,000 Equity Shares of Rs. 10/- each	27,00,00,000
<b>TOTAL</b>	<b>27,00,00,000</b>
<b>Issued, Subscribed &amp; Paid-Up</b>	
2,60,46,724 Equity Shares of Rs. 10/- each	26,04,67,240
<b>TOTAL</b>	<b>26,04,67,240</b>

14. The pre-scheme and post-scheme shareholding pattern of PDS is set out below:-

S. No.	Category of Shareholder	Pre Scheme		Post Scheme	
		No. of Shares held	% of total no. of Shares	No. of Shares held	% of total no. of Shares
1	Promoters and Promoter Group	50,000	100	1,73,59,888	66.65
2	Mutual Funds	NIL	NIL	10,34,677	3.97
3	Financial Institutions/Banks	NIL	NIL	73,394	0.28
4	Insurance Companies	NIL	NIL	6,15,998	2.36
5	Foreign Institutional Investors	NIL	NIL	3,07,446	1.18
6	Bodies Corporate	NIL	NIL	8,77,311	3.37
7	Individuals	NIL	NIL	49,01,088	18.82
8	NRIs & OCBs	NIL	NIL	4,25,199	1.63
9	Hindu Undivided Families	NIL	NIL	4,44,789	1.71
10	Trusts and Clearing Members	NIL	NIL	6,934	0.03
	<b>TOTAL</b>	<b>50,000</b>	<b>100</b>	<b>2,60,46,724</b>	<b>100.00</b>

15. The salient features of the scheme as extracted therefrom are as follows:-

**Demerger of Demerged Undertaking of PGIL and subsequent amalgamation with and into PDS:-**

- Upon the scheme coming into effect on the Effective Date (defined in the Scheme to mean 'the last of the date on which the conditions and matters of the Scheme of Arrangement occur or has been fulfilled or waived and the certified copies of the order of the Hon'ble High Court of Delhi sanctioning the Scheme of Arrangement is filed with the Registrar of Companies, by PGIL and PDS') and with effect from the Appointed Date, the demerged Undertaking of PGIL comprising of all the assets and liabilities of whatsoever nature and wherever situated, shall be and stand transferred to the Resulting Company, as a going concern in accordance with Section 2 (19AA) of the Income Tax Act, so as to become, as and from the Appointed Date, the assets and liabilities of the Resulting Company and all the rights, titles, interests or obligations of the said Undertaking therein shall be vested in the Resulting Company. All the assets, properties and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged Company at the close of business on 31<sup>st</sup> March 2012.
- Upon the scheme coming into effect on the Effective Date and with effect from the Appointed Date, all incorporeal or intangible property of the Demerged Undertaking of PGIL, shall stand vested in PDS and shall become the property and an integral part of PDS, without any act or deed done by PGIL or PDS.
- Upon the scheme coming into effect on the Effective date and with effect from the Appointed Date, subject to the other provisions of this Scheme, all contracts, memorandum of understandings, tenders, bid documents, expressions of interest, deeds, bonds, agreements and other instruments of whatsoever nature ('Contracts') to which the Demerged

- Company is a party, in relation of the Demerged Undertaking, subsisting or having effect immediately before the Effective Date, shall remain in full force and effect against or in favour of the Resulting Company and may be enforced as fully and as effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.
- iv. Upon demerger of the Demerged Undertaking of the Transferor Company with and into the Transferee Company, the Authorised Share Capital of the Transferee Company shall be reorganized and will increase to Rs. 27,00,00,000/- (Rupees Twenty Seven Crores only).
  - v. Upon the coming into effect of the Scheme of Arrangement, pursuant to Part II of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each shareholder of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record date, the equity shares of the Resulting Company in the Share Entitlement Ratio of 6 Equity Share in the Resulting Company of Rs.10/- credited as fully paid up for every 5 Equity Shares of Rs10 /- each fully paid up held by such shareholder in the Demerged Company.
  - vi. Upon coming into effect of the Scheme, the entire Equity Share Capital of the Resulting Company including the New Equity Shares issued in terms hereof shall, subject to payment of the appropriate fee and approval of the respective stock exchange(s), be listed on recognized stock exchange(s) in India, where the shares of the Demerged Company are already listed.
  - vii. Upon coming into effect of the Scheme, no special resolution under section 81(1A) of the Act, shall be required to be passed by the Resulting Company separately in a General Meeting for issue of shares to the shareholders of the Demerged Company under the Scheme and upon the members of the Resulting Company approving the Scheme, it shall be deemed that they have given their consent to the issue of shares of the Resulting Company to the shareholders of the Demerged Company on the basis of the Share Entitlement Ratio.
  - vii. Upon coming into effect of the Scheme, the shares proposed to be allotted pursuant to the Scheme shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Resulting Company and shall rank pari passu with the existing shares of the Resulting Company, including the rights in respect of dividend and bonus shares, if declared by the Resulting Company on or after the Effective Date as specified in Clause 8 of the Scheme of Arrangement.
  - ix. Upon coming into effect of this Scheme and pursuant to the allotment of shares by the Resulting Company in terms of Clause 5.1 of the Scheme, the existing share premium account of the Demerged Company, amounting to Rs. 2,778,164,164/- shall be reduced to Rs.1,710,389,823/- shall be cancelled, in accordance with provisions of sections 100 to 103 of the Act and order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under section 102 of the Act, for the purpose of confirming the reduction in the share premium of the Demerged Company. The reduction in the share premium of the Demerged Company, shall not involve any diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable in respect thereof.
  - x. Upon the Scheme coming into effect the Residual Undertaking and all its assets, liabilities and obligations thereto, shall continue to belong to and be vested with and be managed by the Demerged Company.
  - xi. With effect from the Appointed Date and upto and including the Effective Date:
    - (a). The Demerged Company shall carry on and shall be deemed to have carried on all its business and activities as hitherto in relation to the Demerged Undertaking on account of, and for the benefit of and in trust for the Resulting Company.
    - (b). All the profits or incomes accruing or arising to the Demerged Company in relation to the Demerged Undertaking, or expenditure or losses arising or incurred (including but not limited to the effect of advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country, etc.), thereon by the Demerged Company in relation to the Demerged Undertaking shall, for all purposes, be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses or effect of taxes as the case may be, of the Resulting Company.
    - (c). Any of the rights, powers, authorities, privileges, attached, related or pertaining to or exercised by the Demerged Company, in respect of the Demerged Undertaking, shall be deemed to have been exercised by the Demerged Company, for and on behalf of, and in trust for and as an agent of the Resulting Company. Similarly, any of the obligations, duties, commitments attached, related or pertaining to the Demerged Company that have been undertaken or discharged by the Demerged Company, shall be deemed to have been undertaken for and on behalf of and in trust for and as an agent for the Resulting Company.
  - xii. Upon the Scheme coming into effect, the treatment in the books of the Demerged Company shall give effect to the following accounting treatment as at the Appointed Date:
    - (a). The Demerged Company shall upon the Scheme becoming effective, record the deletion of the assets and

- liabilities of the Demerged Undertaking transferred to and vesting in the Resulting Company, pursuant to this Scheme at their respective book values as appearing in its books as at the close of business of a day (i.e. 31st March, 2012), immediately preceding the Appointed Date.
- (b). The difference between the book value of the assets (net of diminution/depreciation, if any) and the book value of the liabilities of the Demerged Company that is transferred to the Resulting Company pursuant to the Scheme, if any, would be debited to the Share Premium Account in accordance with the provisions of Section 100 of the Act and the balance, if remaining thereafter, would be adjusted against the General Reserve Account.
  - (c). The application and consequential reduction of Share Premium Account, as above, shall form an integral part of the Scheme itself, as the same does not involve any diminution of liability in respect of unpaid Share Capital or payment, to any shareholder of paid-up Share Capital and the order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under Section 102 of the Act, confirming the reduction in the Share Premium Account of the Demerged Company.
- xiii. Upon coming into effect of the Scheme, the Resulting Company shall follow the accounting treatment laid down as under, at the Appointed Date:
- i. The Resulting Company shall, record the assets and liabilities (difference between the assets and liabilities hereinafter referred to as "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of the Demerged Company, at the close of business of the day immediately preceding the Appointed Date.
  - ii. The Resulting Company shall credit to its Share Capital Account in its books of accounts, the aggregate face value of the new equity shares issued by it to the members of the Demerged Company pursuant to Clause 5.1 of the Scheme.
  - iii. The difference between the Net Asset and amount credited to the Share Capital account shall be credited in to "Capital Reserve Account".
16. The Equity Shareholders, Secured Creditors and Unsecured Creditors of PGIL are entitled to attend and vote at the respective Court convened meetings or may appoint proxy to attend and vote at the respective meetings. The instrument appointing the proxy should be deposited at the Registered office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 not later than 48 (Forty Eight) hours before the time fixed for the meeting in respect of which proxy is made. The Equity Shareholders, Secured Creditors and Unsecured Creditors authorizing their representative to attend the meeting on their behalf are requested to file with the company PGIL, a copy of the duly executed and properly filled resolution (in case of Corporates) or other documents authorising the representative to attend and vote on the Scheme at the Court convened meetings. Such authorization/documents should be deposited at the Registered office of the company at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 not later than 48 (Forty Eight) hours prior to the time fixed for the respective meetings.
17. The following documents will be open for inspection by the Equity Shareholders/Secured Creditors/Unsecured Creditors of PGIL as the case may be upto the date of meeting between 10 a.m. and 5 p.m. on all working days except Saturday at the registered office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 and will also be available at the meetings.
- (i) Certified Copy of the order of the Hon'ble Court of Delhi dated 02<sup>nd</sup> August, 2013 *inter alia*, directing convening separate meeting of:-
    - (a) Equity Shareholders of PGIL;
    - (b) Secured Creditors of PGIL; and
    - (c) Unsecured Creditors of PGIL
  - (ii) Copies of Memorandum and Articles of Association of PGIL.
  - (iii) Audited annual accounts of PGIL for the year ended on 31.03.2013.
  - (iv) Unaudited financial results of PGIL for the quarter ended 30.06.2013.
  - (v) Copy of the "No objection letters" from the National Stock Exchange and Bombay Stock Exchange dated 12<sup>th</sup> April, 10<sup>th</sup> and 11<sup>th</sup> July, 2013, respectively.
  - (vi) Copy of the proposed Scheme of Arrangement.
  - (vii) Fairness Opinion.

Sandeep Sabharwal  
(Company Secretary)

Sd/-  
Dheeraj Trikha  
(Chairperson for the meeting of Unsecured Creditors)

**SCHEME OF ARRANGEMENT**

**UNDER SECTIONS 391 TO 394**

**OF THE COMPANIES ACT, 1956**

**BETWEEN**

**PEARL GLOBAL INDUSTRIES LIMITED**  
**("Transferor Company/Demerged Company")**

**AND**

**PDS MULTINATIONAL FASHIONS LIMITED**  
**("Transferee Company/Resulting Company")**

**AND**

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**PREAMBLE**

**(A) Description of the Companies:**

1. Pearl Global Industries Limited (hereinafter referred to as "**PGIL**", is a limited company incorporated on 5<sup>th</sup> of July, 1989 under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028. PGIL was incorporated on July 5, 1989 as Mina Estates Private Limited, a private limited company, with the Registrar of Companies, Delhi and Haryana. Its name was changed to House of Pearl Fashions Private Limited with effect from June 19, 2006. Its name was further changed to its name, House of Pearl Fashions Limited, with effect from July 31, 2006 consequent upon its conversion to a public limited company. Its name was further changed to current name Pearl Global Industries Limited with effect from March 20, 2012.
2. PGIL is engaged in the business of manufacturing, export, import and trading which includes sourcing, distribution and marketing of ready to wear garments.
3. The equity shares of PGIL are listed on the Bombay Stock Exchange and the National Stock Exchange Limited.
4. PDS Multinational Fashions Ltd. (hereinafter also referred to as "**PDS**"), is a Limited company incorporated on 6<sup>th</sup> of April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028. PDS is the wholly owned subsidiary of PGIL and is inter – alia engaged in the business of trading which includes sourcing, distribution and marketing of ready to wear garments.
5. This Scheme of Arrangement is proposed for demerger of the Demerged Undertaking (described hereinafter) from PGIL and subsequent merger/amalgamation of the said Demerged Undertaking with and into PDS, pursuant to Sections 391 to 394 and other applicable provisions of the Companies Act, 1956.

(B) **Purpose of the Scheme**

1. This Scheme of Arrangement is presented under Section 391 to Section 394 of the Companies Act, 1956 and other applicable laws for the demerger of Demerged Undertaking from PGIL and its subsequent merger/amalgamation with and into PDS.
2. This scheme provides for the issue and allotment of shares of PDS to the shareholders of PGIL, as consideration for the transfer of the Demerged Undertaking from PGIL to PDS, and the subsequent listing of such shares on the Stock Exchanges.
3. This scheme also provides for various other matters consequential or otherwise integrally connected with the transfer and vesting of the Demerged Undertaking from PGIL to PDS.

(C) **Rationale of the Scheme**

The Scheme of Arrangement for demerger of the Demerged Undertaking of PGIL and subsequent merger/amalgamation with PDS would, *inter alia*, have the following benefits for the Shareholders:

1. The Sourcing Distribution & Marketing business of PGIL is a growing business, having the capability of attracting different set of investors, strategic partners, lenders and stakeholders. In the view of the same, it is proposed to demerge the said business and subsequently merge it into PDS.
2. Considering the size of PGIL and its significant growth in its business operations, it would be advantageous to re-organize it by demerging the Demerged Undertaking of PGIL and subsequently amalgamating the said Demerged Undertaking with and into PDS.
3. The re-organization will ensure better operational management and focus on accelerated growth of individual units, with higher returns to the shareholders, creditors, employees and also to the public in general.
4. Demerger of the said business of PGIL will enable having focused management attention on the said business.
5. The Proposed Scheme of Arrangement is in the interest of all the parties to the Scheme and their respective shareholders and creditors, and will in the long term be in the interest and welfare of the employees.

In view of the aforesaid, the Board of Directors of **Pearl Global Industries Limited** as well as the Board of Directors of **PDS Multinational Fashions Limited** have considered and proposed the demerger of the Demerged Undertaking of PGIL and its subsequent merger / amalgamation with and into PDS in order to benefit the stakeholders of the two Companies. Accordingly, the Board of Directors of both the companies have formulated this Scheme of Arrangement pursuant to the provisions of Section 391 to Section 394 and other relevant provisions of the Companies Act, 1956.

(D) **Parts of the Scheme**

The scheme is divided into the following parts:

1. **PART I** deals with the Definitions of terms used in this Scheme of Arrangement and Share Capital of PGIL and PDS;
2. **PART II** deals with demerger of the Demerged Undertaking of PGIL and subsequent merger / amalgamation with and into PDS;
3. **PART III** deals with the Alteration of Memorandum of Association; reorganization of Share Capital and subsequent listing of shares of PDS;
4. **PART IV** deals with General Terms and Conditions; and
5. **PART V** deals with Other Terms and Conditions.

- (E) The demerger of the Demerged Undertaking of PGIL and its subsequent merger with and into PDS, pursuant to and in accordance with this Scheme, shall take place with effect from the Appointed Date and shall be in accordance with sections 2(19AA), 2(19AAA) and 2(41A) of Income Tax Act, 1961.

## PART I

### DEFINITIONS AND SHARE CAPITAL

#### 1. DEFINITIONS

In this Scheme (as defined hereinafter), unless repugnant to the context or meaning thereof, the following expressions shall have the meanings as under:-

- 1.1. **"Act"** means the Companies Act, 1956, and shall include any statutory modification, re-enactment or amendments thereof for the time being in force;
- 1.2. **"Appointed Date"** means for the purpose of this scheme, 1<sup>st</sup> April, 2012 or such other date as the Hon'ble High Court of New Delhi may direct or approve;
- 1.3. **"Board of Directors"** shall have the same meaning as under the Act;
- 1.4. **"Book Value(s)"** means the value(s) of the assets and the liabilities of the Demerged Undertaking as appearing in the books of accounts of PGIL at the close of the business as on 31<sup>st</sup> March, 2012;
- 1.5. **"Demerged Company/Transferor Company"** means Pearl Global Industries Limited, a limited company incorporated under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028.
- 1.6. **"Demerged Undertaking"** means the sourcing, distribution and marketing business of the Demerged Company as a going concern (as on the Appointed Date and as modified and altered from time to time till the Effective Date) and shall include but not limited to:-
  - a. all movable and immovable assets through which the Demerged Company carries on the said business activities and operations pertaining to Sourcing Distribution & Marketing;
  - b. all debts, liabilities, duties and obligations including reserves, contingent liabilities if any, appertaining or allocated to the Sourcing Distribution & Marketing business of the Demerged Company on the Appointed Date;
  - c. all agreements, contracts, engagements, permits, rights, registrations, entitlements, bids, all assignments and grants thereof, tenders, letter of intent, expressions of interest, development rights (whether vested or potential and whether under agreements or otherwise), approvals, consents, subsidies, tax credits, incentives, tenancies in relation to office and/or residential properties for the employees, investments or interest (whether vested, contingent or otherwise) in projects undertaken or contracted to be undertaken either solely or jointly with other parties, goodwill, trademarks, trade names, patents, copyrights, all other intellectual property, bank accounts, receivables, privileges, insurance claims and policies, power of attorney and authorities, certifications, all other rights including sales tax deferrals and exemptions and other benefits, lease rights, licenses, powers and facilities of every kind, nature and description whatsoever, rights to use and avail telephones, emails, telexes, facsimile, VSATs connections and installations and any other communication devices, utilities, electricity 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, including licenses, approvals, certificates, clearances, exemptions and all benefits;
  - d. all deposits or benefits of any deposits, balances, earnest moneys, advances and/or security deposits paid or received by the Demerged Company directly or indirectly in connection with or relating to the Demerged undertaking;
  - e. all books, records, files, papers, process information, licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records, whether in physical form or electronic form in connection with or relating to the Demerged Undertaking;

#### **Explanation:**

1. *For the purpose of this Scheme, it is clarified that the liabilities pertaining to the Demerged Undertaking are:*
  - a. *The liabilities which accrue or arise out of the activities or operation of the Demerged Undertaking;*
  - b. *Specific loans and borrowings (including debentures) raised, incurred and utilized solely for the activities or operation of the Demerged Undertaking; and*
  - c. *Liabilities (including debentures, if any) other than those referred to in sub-clauses (a) and (b) above, if any, being the amounts of general or multipurpose borrowings of PGIL, for the business operations carried out by the Demerged Undertaking in the scientific method as approved by the Board of Directors immediately preceding the Appointed Date.*

2. Any question that may arise as to whether a specified asset or liability pertain or does not pertain to the business operations carried out by the Demerged Undertaking shall be decided by mutual agreement between the Board of Directors of PGIL and PDS.

1.7 **"Effective Date"** means the last of the date on which the conditions and matters of the Scheme of Arrangement occur or has been fulfilled or waived and the certified copies of the order of the Hon'ble High Court of Delhi sanctioning the Scheme of Arrangement is filed with the registrar of companies by PGIL and PDS.

Reference in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" shall mean the Effective Date.

1.8 **"Governmental Authority"** means any applicable Central, State or local Government, legislative body, regulatory or administrative authority, agency or commission or any Court, Tribunal, Board, Bureau or instrumentality thereof or Arbitration or Arbitral Body having jurisdiction.

1.9 **"High Court"** means the Hon'ble High Court of Delhi.

1.10 **"Income Tax Act"** means the Income Tax Act, 1961, or any statutory modification or re-enactment thereof for the time being in force.

1.11 **"Liabilities"** shall have the meaning ascribed to it in Clause 3.3 of Part II.

1.12 **"Record Date"** means the date to be fixed by the Board of Directors of Demerged Company for determining names of the equity shareholders of the Demerged Company, who shall be entitled to shares of PDS upon coming into effect of this Scheme.

1.13 **"Residual Undertaking"** means all the business, undertakings and divisions of the Demerged Company other than the Demerged Undertaking transferred to, and vested in PDS, pursuant to this Scheme of Arrangement.

1.14 **"Resulting Company/Transferee Company"** means PDS Multinational Fashions Ltd., a limited company incorporated under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II, New Delhi – 110028 into which the Demerged Undertaking will vest.

1.15 **"Scheme of Arrangement" or "Scheme"** means this Scheme of Arrangement, in its present form or with any modification(s) approved or directed by the Board of Directors of both the Demerged and Resulting Company and/or by the Hon'ble High Court and/or by any other authority for the purpose of demerger of the Demerged Undertaking of Demerged Company and its subsequent merger / amalgamation with and into the Resulting Company.

1.16 **"Share Entitlement Ratio"**, as defined in Para 5.1 of the Scheme, means the ratio in which the Resulting Company/ Transferee Company will issue and allot shares to each member of the Demerged Company/Transferor Company, whose name appear in the register of members of the Demerged Company on the Record Date.

1.17 **"Shareholders"** means the persons registered as holders of Equity Shares in the register of members.

1.18 All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as ascribed to them under the Act and other applicable laws, rules and regulations, as the case may be, including any statutory modification or re-enactment thereof from time to time.

## 2. SHARE CAPITAL

2.1 The share capital structure of Demerged Company as on 31<sup>st</sup> March 2012 is as under:

Particulars	Amount in (Rs)
<b>Authorized Capital</b>	
51,440,000 Equity Shares of 10/- each	514,400,000
10,000 4% Non Cumulative Redeemable Preference Shares of Rs.10/- each	100,000
3,256,000 10.5% Non Cumulative Redeemable Preference Shares of Rs.100/- each	325,600,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
21,663,937 Equity Shares of Rs.10/- fully paid up	216,639,370

2.3 The share capital structure of Resulting Company as on 31<sup>st</sup> March, 2012 is as under:

Particulars	Amount in (Rs)
<b>Authorized Capital</b>	
500,000 Equity Shares of 10/- each	5,000,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
50,000 Equity Shares of Rs.10/- fully paid up	500,000



## PART II

### DEMERGER AND SUBSEQUENT MERGER OF THE DEMERGED UNDERTAKING

#### 3. TRANSFER AND VESTING OF PROPERTIES, ASSETS AND LIABILITIES OF THE DEMERGED UNDERTAKING

##### 3.1 GENERAL

- 3.1.1 The provisions of Part II of the Scheme are intended to comply with the conditions relating to "Demerger" as specified under section 2[(19)AA] of the Income Tax Act. If, at a later date, any terms or provisions of Part II of the Scheme are found or interpreted to be inconsistent with the provisions of section 2[(19)AA] of the Income Tax Act, including resulting from an amendment of law or for any other reason whatsoever, the provisions of section 2[(19)AA] of the Income Tax Act shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with section 2[(19)AA] of the Income Tax Act. Such modification(s) will however not affect the other parts of the Scheme.
- 3.1.2 With effect from the Appointed Date and upon the Scheme becoming effective, the Demerged Undertaking comprising of all the assets and liabilities of whatsoever nature and wherever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further act, instrument or deed, be and stand transferred to the Resulting Company, as a going concern in accordance with Section 2 (19AA) of the Income Tax Act, so as to become, as and from the Appointed Date, the assets and liabilities of the Resulting Company and all the rights, titles, interests or obligations of the said Undertaking therein shall be vested in the Resulting Company.

##### 3.2 TRANSFER OF ASSETS

Without prejudice to the generality of the above clause:

- 3.2.1 With effect from the Appointed Date and upon the Scheme becoming effective, all the assets of the Demerged Undertaking which are movable in nature or incorporeal property or are otherwise capable of being transferred by manual delivery or by endorsement and delivery, shall be so transferred, delivered or endorsed and delivered, as the case may be, by the Demerged Company, and shall upon transfer become the property and an integral part of the Resulting Company. In respect of such of the said assets other than those referred to hereinabove, the same shall, without any further act, instrument or deed, be transferred to, and vested in, and/or be deemed to be transferred to and vested in the Resulting Company.
- 3.2.2 All movable properties of Demerged Undertaking as are intangible in nature (other than those specified in clause 3.2.1 above) including, without limitation, actionable claims, sundry debtors, receivables, bills, credits, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, shall without any further act, instrument or deed be transferred to and vest in the Resulting Company with effect from the Appointed Date, without any notice or other intimation to the debtors, although the Resulting Company may, if it so deems appropriate, give notice in such form as it may deem fit and proper to each of such person, debtor or depositor, as the case may be, that pursuant to the Hon'ble High Court having sanctioned the Scheme, such debt, loan, advance, bank balance, deposit or other asset be paid or made good or held on account of the Resulting Company as the person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realize all such debts (including the debts payable by such person or depositor to the Resulting Company) stands transferred and assigned to the Resulting Company and that appropriate entries should be passed in their books to record the aforesaid change.
- 3.2.3 All immovable properties (including land together with the buildings and structures standing thereon) of Demerged Company relating to Demerged Undertaking, whether freehold or leasehold and any document of title, rights and easements, if any, shall stand transferred to and be vested in Resulting Company, without any further act or deed by Demerged Company or Resulting Company. Resulting Company shall be entitled to exercise all rights and privileges and be liable to pay ground rent, taxes and fulfill obligations, in relation to or applicable to such immovable properties. The mutation / substitution of the title to the immovable properties shall be made and duly recorded in the name of Resulting Company by the appropriate authorities pursuant to the sanction of the Scheme by the Hon'ble High Courts and the Scheme becoming effective in accordance with the terms hereof.
- 3.2.4 For the purpose of giving effect to the orders passed under Sections 391 to 394 of the Act, in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders sanctioning this Scheme, be entitled to get the records of the change in the title and appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking in the Resulting Company.

- 3.2.5 All assets, estate, rights, title, interest and authorities acquired by the Demerged Company in relation to the Demerged Undertaking, after the Appointed Date and prior to the Effective Date, shall also stand transferred to and vested in the Resulting Company, upon coming into effect of the Scheme.
- 3.2.6 For avoidance of any doubt, upon the Scheme becoming effective, all the rights, title, interest and claims of the Demerged Company in any leasehold property, including all the leases, of the Demerged Company in relation to the Demerged Undertaking shall, pursuant to Section 394(2) of the Act, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company. The Demerged Company shall, wherever necessary, execute all necessary documents at its cost, to effect and evidence such transfer and vesting of assets, rights, licenses etc., covered in this Scheme, more particularly under clauses 3.2.1 to 3.2.5 hereof, and make necessary applications to the authorities concerned, independently and/or jointly with the Resulting Company.
- 3.2.7 Without prejudice to the other provisions of the Scheme and notwithstanding the fact that vesting of the Demerged Undertaking occurs by virtue of Part II of the Scheme itself, the Resulting Company may, at any time after the coming into effect of this Scheme, in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary to be executed. The Demerged Company will, if necessary, also be a party to the above arrangements with third parties. The Resulting Company shall, under the provisions of Part II of this Scheme, be deemed to be authorized to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances referred above on the part of the Demerged Company.

### **3.3 TRANSFER OF LIABILITIES**

- 3.3.1 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, reserves, duties and obligations of every kind, nature and description relating to the Demerged Undertaking shall, without any further act or deed, be transferred to, or be deemed to be transferred to the Resulting Company, so as to become as and from the Appointed Date, the debts, liabilities, contingent liabilities, duties and obligations of the Resulting Company and the Resulting Company undertakes to meet, discharge and satisfy the same. In respect of general or multipurpose borrowings, debts, liabilities, if any, shall be transferred to or be deemed to be transferred to the Resulting Company in the proportion of the value of assets transferred. Further, it shall not be necessary to obtain consent of any third party or person (other than the creditors of both the Demerged and Resulting Company), who is a party to any contract or arrangement by virtue of such debts, liabilities, contingent liabilities, duties and obligations, in order to give effect to the provisions of this sub-clause.
- 3.3.2 Where any liability and obligation attributed to the Demerged Undertaking on the Appointed Date, has been discharged by the Demerged Company on behalf of the Demerged Undertaking, after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on behalf of the Resulting Company.
- 3.3.3 All liabilities and obligations attributed to the Demerged Undertaking, including unsecured loans, taken over by the Resulting Company, may be discharged by the Resulting Company by way of one time settlement or in any other manner as the Resulting Company may deem fit.
- 3.3.4 The transfer and vesting of the Demerged Undertaking as aforesaid, shall be subject to the existing securities, charges, hypothecation and mortgages, if any, subsisting in relation to any loans or borrowings of the Demerged Undertaking, provided any reference in any security documents or arrangements, to which the Demerged Company is a party, wherein the assets of the Demerged Undertaking have been or are offered or agreed to be offered as security for any financial assistance or obligation, shall be construed as reference only to the assets pertaining to the Demerged Undertaking as are vested in the Resulting Company by virtue of this Scheme, to the end and intent that such security, charge, hypothecation and mortgage, shall not extend or be deemed to extend, to any of the other assets of the Demerged Company or any of the assets of the Resulting Company, provided further that the securities, charges, hypothecation and mortgages, if any, subsisting over and in respect of the assets or any part thereof of the Resulting Company, shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in the Resulting Company, provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Demerged Company in relation to the Demerged Undertaking which shall vest in the Resulting Company by virtue of the vesting of the Demerged Undertaking with the Resulting Company and the Resulting Company shall not be obliged to create any further or additional security, after the Scheme has become operative.

- 3.3.5 All the loans, advances and other facilities sanctioned to the Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilized, shall be deemed to be the loans and advances sanctioned to the Resulting Company and the said loans and advances, shall be drawn and utilized either partly or fully by the Resulting Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by the Resulting Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to the Resulting Company and all the obligations of the Demerged Company in relation to the Demerged Undertaking under any loan agreement, shall be construed and shall become the obligation of the Resulting Company, without any further act or deed on the part of the Resulting Company.
- 3.3.6 All loans raised and used, and liabilities incurred, by the Demerged Company after the Appointed Date, but prior to the Effective Date, for the operations of the Demerged Undertaking shall be discharged by the Resulting Company.
- 3.3.7 All debentures, bonds or other debt securities, if any, of the Demerged Company, in relation to the Demerged Undertaking whether convertible into equity or otherwise, shall on the Effective Date, be transferred to the Resulting Company.
- 3.3.8 All encumbrances over the assets of the Demerged Undertakings in so far as to meet the liabilities of the Residual Undertaking, shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that they shall stand released and discharged from the obligations of the Demerged Undertaking and shall only extend to and continue to operate, against the assets retained by the Demerged Company.
- 3.3.9 Upon the coming into effect of the Scheme, the Resulting Company shall indemnify the Demerged Company in relation to any claim, at any time, against the Demerged Company in respect of the liabilities which have been transferred to it.
- 3.3.10 All loans raised and used, and liabilities repaid by the Demerged Company pertaining to its remaining business after the Appointed Date, but prior to the Effective Date, utilizing the surplus cash derived from the operations of Demerged Undertaking shall be discharged by the Demerged Company as may be mutually agreed.
- 3.3.11 Any claim, liability, demand or any statutory tax liability pertaining to operations of demerged undertaking up to effective date but arising any time after effective date, shall be deemed to be part of demerged undertaking and shall be borne by Resulting Company. In case the liability is incurred by the Demerged Company, then Resulting Company shall reimburse the amount to Demerged Company.

#### 3.4 **SAVING OF CONCLUDED TRANSACTIONS**

Upon coming into effect of this Scheme, the transfer of all the assets and liabilities of Demerged Undertaking to the Resulting Company and the continuance of all the contracts or legal proceedings by or against the Demerged Company, in relation to the Demerged Undertaking, shall not affect any contract or proceeding relating to the said assets or the liabilities already concluded by the Demerged Company, on or after the Appointed Date till the Effective Date to the end and intent, such that the Resulting Company accepts and adopts all acts, deeds and things done, executed for and on behalf of the Demerged Undertaking by the Demerged Company, as acts, deeds and things done, executed for and on behalf of the Resulting Company.

#### 3.5 **RESIDUAL UNDERTAKING**

- 3.5.1 The Residual Undertaking shall continue its business as a part of the Demerged Company.
- 3.5.2 The Residual Undertaking and all its assets, liabilities and obligations thereto, shall continue to belong to and be vested with and be managed by the Demerged Company.
- 3.5.3 All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal), by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case, relating to the Residual Undertaking (including those relating to any property, right, liability, obligation or duties of the Demerged Company) shall continue and be enforced by or against the Demerged Company after the Effective Date.
- 3.5.4 In case of any proceeding against the Resulting Company in respect of the outstanding matters referred to in Clause 3.5.3 above, shall be defended by the Resulting Company.

#### 3.6 **TRANSFER AT BOOK VALUES**

All the assets, properties and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged Company at the close of business on 31<sup>st</sup> March 2012. For this purpose, any change in value of assets, consequent to their revaluation, if any, shall be ignored.

#### 3.7 **CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS**

- 3.7.1 Upon the coming into effect of this scheme, subject to the other provisions of this Scheme, all contracts,

memorandum of understandings, tenders, bid documents, expressions of interest, deeds, bonds, agreements and other instruments of whatsoever nature ("Contracts") to which the Demerged Company is a party, in relation of the Demerged Undertaking, subsisting or having effect immediately before the Effective Date, shall remain in full force and effect against or in favour of the Resulting Company and may be enforced as fully and as effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.

- 3.7.2 With effect from the Appointed Date and upon the Scheme becoming effective, all permits, quotas, rights, entitlements, licenses, registrations, trademarks, patents, copyrights, privileges, powers, facilities, subsidies, rehabilitation schemes, special status and other benefits or privileges (granted by any Government body, local authority or by any other person) of every kind and description of whatsoever nature in relation to the Demerged Undertaking of the Demerged Company, or to the benefit of which the Demerged Undertaking of the Demerged Company may be entitled, or having effect immediately before the Effective Date, shall be and remain in full force and effect in favor of or against the Resulting Company, as the case may be, and may be enforced fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a beneficiary or oblige thereto.
- 3.7.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory license, permission or approval or consent required to carry on the operations of the Demerged Undertaking of the Demerged Company shall stand vested in or transferred to the Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Resulting Company. The benefit of all such statutory and regulatory permissions, licenses, approvals and consents including statutory licenses, approvals, permissions or approvals or consents required to carry on the operations of the Demerged Undertaking of the Demerged Company shall vest in and become available to the Resulting Company, pursuant to the Scheme.
- 3.7.4 The Resulting Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite agreement, confirmations or novations to which the Demerged Company will, if necessary, also be a party in order to give formal effect to the provisions of this Scheme, if it is so required or if it becomes necessary.

### **3.8 CONTINUATION OF LEGAL PROCEEDINGS**

- 3.8.1 All legal proceedings of whatever nature by or against the Demerged Company, in relation to the Demerged Undertaking, if pending, on the Effective Date, shall not abate, be discontinued or be in any way prejudicially affected by reason of the vesting of the Demerged Undertaking in the Resulting Company or of anything contained in this Scheme but the proceedings may be continued, prosecuted and enforced by or against the Resulting Company, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Demerged Company, as if this Scheme had not been made.
- 3.8.2 The Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company in relation to the Demerged Undertaking referred to in Clause 3.8.1 above, transferred in its name and to have the same continued, prosecuted and enforced by or against the Resulting Company.

### **3.9 STAFF, WORKMEN AND EMPLOYEES OF DEMERGED UNDERTAKING**

- 3.9.1 Upon the Scheme becoming effective, all the staff, workmen and other employees engaged in the Demerged Undertaking of the Demerged Company, if any, immediately before Effective Date shall become the staff, workmen and employees of the Resulting Company on the basis that:
- i. their service should have been continuous and should not have been interrupted by reason of the demerger; and
  - ii. the terms and conditions of service applicable to the said staff, workmen or employees after such transfer, shall not in any way be less favorable to them than those applicable to them immediately before the transfer;
- 3.9.2 Further, it is expressly provided that, on the Scheme becoming effective, the existing provident fund, gratuity fund, superannuation fund and any other special fund and/or schemes and trusts (collectively referred to as "Funds"), if any, created or existing for the benefits of the employees of the Resulting Company, for all purposes whatsoever in relation to the administration or operation of such funds/trusts/schemes or in relation to the obligation to make contributions to the said funds/trusts/schemes in accordance with the provisions thereof as per the terms provided in the agreements/deeds governing such funds/trusts/schemes, if any, to the end and intent that all rights, duties, powers and obligations of the Demerged Company in relation to such funds/trusts/schemes shall become those of the Resulting Company. It is clarified that the services of the employees of the Resulting Company will be treated as having been continuous for the purpose of the said funds/trusts/schemes.

## PART III

### 4. ALTERATION TO THE MEMORANDUM OF ASSOCIATION

- 4.1 On this Scheme becoming operative, the Authorized Share Capital of the Resulting Company shall increase to Rs. 27,00,00,000 (Rupees Twenty Seven Crores) in terms of its Memorandum of Association. The Resulting Company shall take necessary steps to increase and alter its Authorized Share Capital. Consequently, Clause "V" of the Memorandum of Association of the Resulting Company (relating to the Authorized Share Capital) shall without any further act, instrument or deed, be and stand altered, modified and amended and no separate resolutions under Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, shall be required to be adopted for effecting such modification and the capital clause being Clause V of the Memorandum of Association of the Transferee Company shall on the Effective Date stand substituted to read as follows:-

***"V. The Authorised Share Capital of the Company is Rs. 27,00,00,000 (Rupees Twenty Seven Crores) divided into 2,70,00,000 (Two Crore Seventy Lacs) Equity Shares of Rs. 10 (Rupees Ten) each"***

- 4.2 The approval of the Scheme by the shareholders of the Resulting Company and the Hon'ble High Court or any other appropriate authority, shall be deemed to be in due compliance with the provisions of Section 31 and other relevant and applicable provisions, if any, of the Act, for change in the Articles of Association of the Resulting Company, as provided in this Scheme. Further, the Resulting Company agrees to undertake steps, if any required to give effect to the amendment as above in the Articles of Association of the Resulting Company in the records of the Registrar of Companies, NCT of Delhi or any other appropriate authority.

### 5. RE-ORGANIZATION OF SHARE CAPITAL OF THE RESULTING COMPANY

- 5.1 After the Scheme comes into effect, in consideration of the demerger including the transfer and vesting of the Demerged Undertaking in the Resulting Company, pursuant to Part II of this Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each member of the Demerged Company whose names are recorded in the register of members of the Demerged Company on the Record date, equity shares in the Resulting Company and the share capital of the Resulting Company shall be restructured and reorganized in the manner set out herein below:

***"Upon the coming into effect of the Scheme of Arrangement, pursuant to Part II of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each shareholder of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record date, the equity shares of the Resulting Company in the Share Entitlement Ratio of 6 Equity Share in the Resulting Company of Rs.10/- credited as fully paid up for every 5 Equity Shares of Rs10 /- each fully paid up held by such shareholder in the Demerged Company. The Equity Shares so issued and allotted, shall rank pari passu in all respects with the existing Equity Shares of the Resulting Company".***

- 5.2 Upon coming into effect of this Scheme, the reduction of Share Premium of the Demerged Company, shall form an integral part of the Scheme and the approval to the Scheme by the Shareholders and the Creditors of the Demerged Company, shall be deemed to be their consent under the provisions of Section 100 and any other applicable provisions of the Act, to such reduction of capital of the Demerged Company and the Demerged Company shall not be required to convene any separate meeting for that purpose. The order of the Hon'ble High Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act.
- 5.3 In case any Shareholder's holding in the Demerged Company is such that the shareholder becomes entitled to a fraction of an equity share of the Resulting Company, the Resulting Company shall consolidate such fractions and issue consolidated equity shares to Directors/Promoters/officers of the Resulting Company as the Board of Directors of Resulting company shall deem fit, who shall sell the same in the market after they are listed at the available price and pay the net proceed (after deduction of the expenses incurred) to the Resulting Company, whereupon the Resulting Company shall distribute the net sale proceeds to the shareholders respectively, entitled to the same, in proportion to their respective fractional entitlements in Resulting Company.
- 5.4 Upon the Scheme coming into effect, the issue and allotment of the shares as provided in this Scheme shall be carried out in accordance with the provisions of the Act. Each of the shareholders of the Demerged Company holding shares in physical form shall have the option, exercisable by notice, in writing by them to the Resulting Company on or before the Record Date, to receive the shares of the Resulting Company, either in certificate form or in dematerialized form, in lieu of their shares in the Demerged Company in accordance with the terms hereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares of the Resulting Company shall be issued to such members in physical form. Those of the members of the

Demerged Company who exercise the option to receive the shares in dematerialized form, shall be required to have an account with a depository participant and shall provide full details thereof and such other confirmations as may be required in the notice provided by such shareholders to the Resulting Company. It is only thereupon that the Resulting Company shall issue and directly credit the demat/dematerialized securities account of such member with the shares of the Resulting Company.

- 5.5 Upon the Scheme coming into effect, the members of the Demerged Company holding shares of the Demerged Company in dematerialized form shall have the option, exercisable by a notice in writing by them to the Resulting Company on or prior to the Record Date, to receive the shares of the Resulting Company either in certificate form or in dematerialized form, in lieu of their shares in the Demerged Company in accordance with the terms hereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares of the Resulting Company shall be issued to such members in dematerialized form as per the records maintained by the National Securities Depository Limited and / or Central Depository Services (India) Limited in terms of Clause 5.1 above.
- 5.6 Upon the coming into effect of this Scheme, the issue and allotment of new equity shares in the Resulting Company to the Shareholders of the Demerged Company as provided in this Scheme, shall be deemed to have been carried out in compliance with the procedure laid down under applicable provisions, if any, of the Act and it is clarified that no separate approvals shall be obtained by the Resulting Company in this regard.
- 5.7 For the purpose aforesaid, the Resulting Company shall, if and to the extent required, apply for and obtain any approvals including that of Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the Resulting Company of New Equity Shares to the members of the Demerged Company.
- 5.8 The entire Equity Share Capital of the Resulting Company including the New Equity Shares issued in terms hereof shall, subject to payment of the appropriate fee and approval of the respective stock exchange(s), be listed on recognized stock exchange(s) in India, where the shares of the Demerged Company are already listed.
- 5.9 The New Equity Shares in the Resulting Company allotted pursuant to the Scheme shall remain frozen in the depositories system till listing / trading permission is given by the designated stock exchanges.
- 5.10 There shall be no change in the shareholding pattern or control in the Resulting Company between the Record Date and the listing in the designated stock exchanges.
- 5.11 Upon coming into effect of this Scheme and pursuant to the allotment of shares by the Resulting Company in terms of Clause 5.1 above, the existing share premium account of the Demerged Company, amounting to Rs. 2,778,164,164/- shall be reduced to Rs. 1,710,389,823 /- shall be cancelled, forming an integral part of this Scheme, in accordance with provisions of sections 100 to 103 of the Act and order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under section 102 of the Act, for the purpose of confirming the reduction in the share premium of the Demerged Company. The reduction in the share premium of the Demerged Company, shall not involve any diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable in respect thereof.
- 5.12 Upon coming into effect of this Scheme, no special resolution under section 81(1A) of the Act, shall be required to be passed by the Resulting Company separately in a General Meeting for issue of shares to the shareholders of the Demerged Company under the Scheme and upon the members of the Resulting Company approving the Scheme, it shall be deemed that they have given their consent to the issue of shares of the Resulting Company to the shareholders of the Demerged Company on the basis of the Share Entitlement Ratio.
- 5.13 Upon coming into effect of this Scheme, where shares are to be allotted under this Clause to the heirs, executors or administrators or, as the case may be, to the successors of the deceased equity shareholders of the Demerged Company, the concerned heirs, executors or administrators or, as the case may be, the successors shall be obliged to produce evidence of title satisfactory to the Board of Directors of the Resulting Company.
- 5.14 The shares proposed to be allotted pursuant to the Scheme shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Resulting Company and shall rank *pari pasu* with the existing shares of the Resulting Company, including the rights in respect of dividend and bonus shares, if declared by the Resulting Company on or after the Effective Date as specified in Clause 8.

## PART IV

### 6. GENERAL TERMS AND CONDITIONS

#### 6.1 CONDUCT OF THE BUSINESS AS AND FROM THE APPOINTED DATE TILL EFFECTIVE DATE

- 6.1.1 The Demerged Company in relation to the Demerged Undertaking, undertakes to preserve and carry on the business, with reasonable diligence and business prudence and shall not undertake financial commitments or sell, transfer, alienate, charge, mortgage, or encumber or otherwise deal with or dispose of any of properties, assets and liabilities in relation to the Demerged Undertaking or any part thereof save and except in each case:
- a. if the same is in its ordinary course of business; or
  - b. if the same is expressly permitted by this Scheme; or
  - c. if the prior written consent of the Board of Directors of the Resulting Company has been obtained.

- 6.1.2 The Demerged Company with effect from the Appointed Date and up to and including the Effective Date:
- i. Shall carry on and shall be deemed to have carried on all its business and activities as hitherto and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Demerged Company in relation to the Demerged Undertaking on account of, and for the benefit of and in trust for the Resulting Company.
  - ii. All the profits or incomes accruing or arising to the Demerged Company in relation to the Demerged Undertaking, or expenditure or losses arising or incurred (including but not limited to the effect of advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country, etc.), thereon by the Demerged Company in relation to the Demerged Undertaking shall, for all purposes, be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses or effect of taxes as the case may be, of the Resulting Company.
  - iii. Any of the rights, powers, authorities, privileges, attached, related or pertaining to or exercised by the Demerged Company, in respect of the Demerged Undertaking, shall be deemed to have been exercised by the Demerged Company, for and on behalf of, and in trust for and as an agent of the Resulting Company. Similarly, any of the obligations, duties, commitments attached, related or pertaining to the Demerged Company that have been undertaken or discharged by the Demerged Company, shall be deemed to have been undertaken for and on behalf of and in trust for and as an agent for the Resulting Company.

From the Appointed Date until the coming into effect on the Effective Date of this Scheme, the Demerged Company shall not make any change in its capital structure either by any increase, (by issue of equity shares on a rights basis, bonus shares, convertible debentures or otherwise) or by decreasing, reducing, re-classification, sub-division or consolidation, re-organization, or in any other manner which may, in any way, affect the Share Entitlement Ratio (as provided in clause 5.1 above), except by mutual consent of the respective Board of Directors of the Demerged Company and the Resulting Company or as may be expressly permitted under this Scheme or as may be required to give effect to the Scheme.

- 6.1.3 As and from the Appointed Date and till the Effective Date:
- i. All assets and properties which are acquired by the Demerged Company in relation to the Demerged Undertaking, on or after the Appointed Date, in accordance with the Scheme, shall be deemed to be the assets and properties of the Resulting Company.
  - ii. All debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations which arise or accrue to the Demerged Company in relation to the Demerged Undertaking, on or after the Appointed Date in accordance with this Scheme, shall be deemed to be debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations of the Resulting Company.
- 6.1.4 Any issue as to whether any asset or liability pertains to Demerged Undertaking or not shall be decided by the Board of Directors of the Demerged Company and the Resulting Company, either by themselves or through a Committee appointed by them in this behalf, on the basis of such evidence as they may deem relevant (including the books and records of the Demerged Company).
- 6.1.5 The Demerged Company and the Resulting Company shall make and/or revise their income tax returns and related TDS certificates and shall have the right to claim refund, advance tax credits, Fringe Benefit Tax Credits, etc. separately, on the Scheme becoming effective as on the Effective Date.

- 6.1.6 Since each of the permissions, approvals, consents, sanctions, remissions, special reservations, holidays, incentives, concessions and other authorizations in relation to the Demerged Undertaking of the Demerged Company, shall stand transferred by the order of the Hon'ble High Court to the Resulting Company, the Resulting Company shall file the relevant intimations, for the record of the statutory authorities who shall take them on file, pursuant to the vesting orders of the said Court.
- 6.1.7 For the purpose of giving effect to the vesting order passed under Sections 391 and 394 of the Act in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders on this Scheme be entitled to get the record of the change in the title and appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking of the Demerged Company in the Resulting Company in accordance with the provisions of Sections 391 and 394 of the Act. Upon the Scheme becoming effective and with effect from the Appointed Date, the filing of certified copies of the order of Hon'ble High Court sanctioning this Scheme shall constitute a creation / modification of charge in the name of the Resulting Company in accordance with the provisions of Section 127 of the Act and satisfaction of charge in respect of the Demerged Company in accordance with Section 138 of the Act, if there are any existing charges attaching to the Demerged Undertaking.
- 6.1.8 With effect from the Effective Date, the Resulting Company shall commence and carry on and shall be authorized to carry on the business of the Demerged Undertaking of the Demerged Company.
- 6.1.9 The Resulting Company shall not vary terms and conditions of service of its employees except in the ordinary course of its business.

## **7. ACCOUNTING TREATMENT**

### **7.1 Treatment in the books of Demerged Company**

7.1.1 Upon coming into effect of the Scheme, the Demerged Company shall give effect to the following accounting treatment as at the Appointed Date:

- i. The Demerged Company shall upon the Scheme becoming effective, record the deletion of the assets and liabilities of the Demerged Undertaking transferred to and vesting in the Resulting Company, pursuant to this Scheme at their respective book values as appearing in its books as at the close of business of a day (i.e. 31<sup>st</sup> March, 2012), immediately preceding the Appointed Date.
- ii. The difference between the book value of the assets (net of diminution/depreciation, if any) and the book value of the liabilities of the Demerged Company that is transferred to the Resulting Company pursuant to the Scheme, if any, would be debited to the Share Premium Account in accordance with the provisions of Section 100 of the Act and the balance, if remaining thereafter, would be adjusted against the General Reserve Account.
- iii. The application and consequential reduction of Share Premium Account, as per sub-clause (ii) above, shall form an integral part of the Scheme itself, as the same does not involve any diminution of liability in respect of unpaid Share Capital or payment, to any shareholder of paid-up Share Capital and the order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under Section 102 of the Act, confirming the reduction in the Share Premium Account of the Demerged Company.

### **7.2 Treatment in the books of Resulting Company**

7.2.1 Upon coming into effect of the Scheme, the Resulting Company shall follow the accounting treatment laid down as under, at the Appointed Date:

- i. The Resulting Company shall, record the assets and liabilities (difference between the assets and liabilities hereinafter referred to as "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of the Demerged Company, at the close of business of the day immediately preceding the Appointed Date;
- ii. The Resulting Company shall credit to its Share Capital Account in its books of accounts, the aggregate face value of the new equity shares issued by it to the members of the Demerged Company pursuant to Clause 5.1 of this Scheme.
- iii. The difference between the Net Asset and amount credited to the Share Capital account shall be credited in to "Capital Reserve Account".



**8. DIVIDENDS, PROFITS, BONUS/RIGHTS SHARES**

- 8.1 The Demerged Company shall not utilize the profits or income of Demerged Undertaking, if any, for the purpose of declaring or paying any dividend (whether interim or final) or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of the Resulting Company.
- 8.2 The Resulting Company shall not issue or allot, after the Appointed Date or the date of this Scheme being approved by the Board of Directors, whichever is later, any rights shares, bonus shares, etc. without the prior consent of the Board of Directors of the demerged Company.
- 8.3 The demerged Company shall not issue or allot, after the Appointed Date or the date of this Scheme being approved by the Board of Directors, whichever is later, any rights shares, bonus shares, etc. without the prior consent of the Board of Directors of the Resulting Company.
- 8.4 The Demerged Company in relation to the profits or income of Residual Undertaking and the Resulting Company shall be entitled to declare and pay dividends, whether interim or final, to their respective equity shareholders prior to the Effective Date, provided that the equity shareholders of the Demerged Company shall not be entitled to dividend, if any, declared and paid by the Resulting Company to its equity shareholders prior to the Effective Date.
- 8.5 The holders of the equity shares of the Demerged Company and the Resulting Company shall, save as expressly provided otherwise in the Scheme continue to enjoy their existing rights under their respective Articles of Association including the right to receive dividends.
- 8.6 It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of the Demerged Company and/or the Resulting Company to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the Boards of Directors of each of the Demerged and the Resulting Company and subject, wherever necessary, to the approval of the shareholders of the Demerged Company and Resulting Company respectively.

**9. TRANSFER OF THE DEMERGED UNDERTAKING OF THE DEMERGED COMPANY**

On the scheme becoming effective, the Demerged Undertaking of the Demerged Company shall be transferred without any further act, deed or instrument, and shall be merged into the Resulting Company.

**10. TREATMENT OF TAXES**

Any tax liabilities under the Income Tax Act or other applicable laws or regulations allocable to the Demerged Company, in relation to Demerged Undertaking, to the extent not provided for or covered by any tax provision in the accounts of the Demerged Company made as on the date immediately preceding the Appointed Date, shall be transferred to the Resulting Company. Any surplus in the provision for taxation or duties or levies in the accounts of the Demerged Company in relation to Demerged Undertaking, including advance tax and tax deducted at source as on the close of business in India on 31<sup>st</sup> March, 2012, will also be transferred to the account of the Resulting Company.

**11. APPLICATION TO HON'BLE HIGH COURT**

The Demerged Company on behalf of its Demerged Undertaking and the Resulting Company shall make necessary applications under the provisions of Sections 391 to 394 and other applicable provisions, if any, of the Act to the Hon'ble High Court of Delhi for sanction of this Scheme and for the consequent transfer of the Demerged Undertaking to the Resulting Company and its subsequent merger thereof.

**12. SCHEME CONDITIONAL UPON AND SUBJECT TO**

- 12.1 The Scheme being agreed to by the respective requisite majorities of the members, secured and unsecured creditors of both, the Demerged Company and the Resulting Company, as may be required by the Hon'ble High Court either at a meeting or through consent/ No-objection Letters on the application made for directions under Section 391 of the Act for calling/ dispensing of the meetings and necessary resolution if any, to be passed under the Act for the purpose of the Scheme.
- 12.2 Sanction of the Hon'ble High Court under section 391 and 394 of the Act and necessary order or orders under section 394 of the Act being obtained.
- 12.3 Such other sanction and approvals as may be required by law in respect of the Scheme being obtained.

12.4 This Scheme, although to come into operation from the Appointed Date, shall not become effective until the date on which the certified copies of the orders of the Hon'ble High Court under Sections 391 and 394 of the Act are duly filed with the offices of the respective Registrar of Companies, where both the Demerged Company and the Resulting Company registered.

**13. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

In the event of the Scheme not being sanctioned by the Court and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and in that event, no rights and liabilities shall, inter se, accrue between the parties in terms of the Scheme, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law. Each party shall bear and pay its respective costs, charges and expenses for and/or in connection with the Scheme.

**14. OPERATIVE DATE OF THE SCHEME**

This Scheme of Arrangement shall be operative with effect from the Appointed Date but shall be effective from the Effective Date.

## PART V

### OTHER TERMS AND CONDITIONS

#### 15. APPROVALS AND MODIFICATIONS

##### 15.1 MODIFICATION OR AMENDMENT TO THE SCHEME

15.1.1 Demerged Company and the Resulting Company may assent from time to time on behalf of all persons concerned to any modifications or amendments or additions to this Scheme or to any conditions or limitations which either the Board of Directors or a committee or committees of the concerned Board of Directors authorized in that behalf by the concerned Board of Directors (hereinafter referred to as the "Delegates") of the Demerged Company in relation to the Demerged Undertaking and the Resulting Company deem fit, or which the Hon'ble High Court or any other authorities under law may deem fit to approve of or impose and which the Demerged Company in respect of the Demerged Undertaking and the Resulting Company may in their discretion deem fit and to resolve all doubts or difficulties that may arise for carrying out this Scheme and to do and execute all acts, deeds, matters and things necessary for bringing this Scheme into effect, or to review the position relating to the satisfaction of the conditions to this Scheme and if necessary, to waive any of those (to the extent permissible under law) for bringing this Scheme into effect.

15.1.2 In the event that Demerged Company and the Resulting Company may find any of the modifications or conditions which may be imposed by the Hon'ble High Court or other authorities unacceptable for any reason, then the Demerged Company and the Resulting Company are at liberty to withdraw the Scheme. The aforesaid powers of the Demerged Company and the Resulting Company may be exercised by the Delegates of the respective Companies.

15.1.3 For the purpose of giving effect to this Scheme or to any modifications or amendments thereof or additions thereto, the Demerged Company and the Resulting Company or their Delegates may give and are authorized to determine and give all such directions as may be necessary including directions for settling or removing any question of doubt or difficulty that may arise and such determination or directions, as the case may be, shall be binding on all parties, in the same manner as if the same were specifically incorporated in this Scheme.

##### 15.2 CONSENT OF MEMBERS AND DIRECTORS

15.2.1 On the approval of the scheme by the members of the Demerged Company and the Resulting Company, pursuant to section 391 of the Act, it shall be deemed that the said members have also accorded all relevant consents under section 31 and any other provisions of the Act to the extent the same may be considered applicable.

15.2.2 The directors of each of the Demerged Company and the Resulting Company may be deemed to be concerned and/or interested in the scheme to the extent of their shareholding in the Company, or to the extent the said directors are common directors in the Company, or to the extent the said directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust, that hold shares in the company.

##### 15.3 COST, CHARGES & EXPENSES

15.3.1 All costs, charges and expenses, including any taxes and duties of the Demerged Company in respect of the Demerged Undertaking and the Resulting Company respectively, in relation to or in connection with this Scheme and incidental to the completion and implementation of this Scheme of Arrangement of the Demerged Company and the Resulting Company in pursuance of this Scheme shall be borne and paid as mutually agreed between the Resulting Company and the Demerged Company.

15.3.2 The Demerged Company and the Resulting Company shall also take all such other steps as may be necessary or expedient to give full and formal effect to and implement the provisions of this Scheme.

15.3.3 In the event of non-fulfillment of any or all obligations under this Scheme by any party towards any other party, *inter-se* or to third parties and non-performance of which will place the other party under any obligation, then such defaulting party will indemnify all costs and interest to such other affected party.

## FAIRNESS OPINION

Date: November 19th, 2012

The Board of Directors  
**Pearl Global Industries Ltd. ("PGIL")**  
A-3, Community Center, Naraina Industrial Area, Phase - II  
New Delhi - 110028

AND

The Board of Directors  
**PDS Multinational Fashions Ltd. ("PDS")**  
A-3, Community Center, Naraina Industrial Area, Phase - II  
New Delhi - 110028

**Subject: Clause 24 (h) of the Listing Agreement: "Fairness Opinion" of Independent Merchant Banker**

**Ref: Scheme of Arrangement between Pearl Global Industries Ltd. ("PGIL") & PDS Multinational Fashions Ltd. ("PDS") and their respective Shareholders & Creditors through Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956**

Dear Sir(s),

With reference to the Proposed Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 between Pearl Global Industries Ltd. ("PGIL or Transferor") & PDS Multinational Fashions Ltd. ("PDS or Transferee") & their respective Shareholders & Creditors in pursuance to business valuation carried out by **S. R. Dinodia & Co., Chartered Accountants and B. R. Gupta & Co., Chartered Accountants ("the Valuers.")** for determining the fair share exchange ratio of PGIL and PDS as on March 31st, 2012.

We as a Merchant Banker hereby certify that pursuant to the Clause 24 (h) of the Listing Agreement, we have reviewed the valuation report prepared by the Valuers and are of the opinion that the Swap Ratio (Exchange Ratio) of Shares of the above companies should be taken as "Fair" for the Proposed scheme of arrangement section 391 to 394 of the Companies Act, 1956 under in view of our understanding & review of the report of the Valuers herein placed below:

### 1. ABOUT THE COMPANIES

The Business Segments of both the companies are given herein under:

**Pearl Global Industries Ltd. ("PGIL")** - the Demerged Company was incorporated on July 5th, 1989 under the Companies Act, 1956 with the Registrar of Companies, Delhi. The company is engaged in the business of manufacturing, export, import and trading which includes sourcing, distribution and marketing of ready to wear garments. The Shares of the company are listed on both National Stock Exchange (NSE) & Bombay Stock Exchange (BSE).

**PDS Multinational Fashions Limited ("PDS")** - the Resulting Company was incorporated on April 6th, 2011. PDS is the wholly owned subsidiary of PGIL and is inter - alia engaged in the business of trading which includes sourcing, distribution and marketing of ready to wear garments. The Shares of the company are not listed on any stock exchange.

### 2. PROPOSED SCHEME OF ARRANGEMENT

PGIL is planning to demerge one of its undertakings (i.e. Sourcing, Distribution and Marketing business of PGIL) and will merge the said undertaking with and into PDS pursuant to Sections 391 to 394 of the Companies Act, 1956 and PDS will be the Resulting Entity. The Equity Shares of PDS will be issued to the equity shareholders of PGIL on a proportionate basis as per fair exchange ratio of 6:5 (i.e. 6 Equity Shares of Rs. 10 each fully paid in PDS shall be offered for every 5 Equity Shares of Rs. 10 each fully paid up held in PGIL) as calculated by Valuers.

### 3. PURPOSE OF VALUATION

Pursuant to the scheme of arrangement PGIL is proposing for the demerger of the Demerged Undertaking from it and subsequent merger/amalgamation of the said Demerged Undertaking with and into PDS, the shareholders of PGIL are to be allotted shares of PDS, as per the proposed Scheme of Arrangement. For this purpose, a proper valuation of the Shares of both the entities needs to be carried out in compliance with Sections 391 to 394 as prescribed under the Companies Act, 1956 and stock exchange listing requirements.

### 4. VALUATION APPROACH BY VALUER

For the purpose of ascertaining the reasonableness of this valuation, various quantitative factors have been considered by the Valuer based upon the financial details of the respective companies. The Valuer has determined the respective Equity Valuation of the above companies for determining the exchange ratio by using Net Asset Value Method.

The valuer has further taken into account the increased net worth of the subsidiaries of the demerged entity, copies of annual accounts and other financial statements of the companies under arrangement besides the discussions with the management of both the companies regarding past and present operations of these companies in order to arrive at proper valuation of the respective business(es).

### 5. Our Opinion with Regard to the Overall Valuation Methodology

On the basis of our understanding and on the basis of independent valuation done by the valuers, we hereby opine that the Share Exchange Ratio of 6:5, i.e. shareholders holding five (5) Equity Shares of Rs. 10 each fully paid of PGIL would get six (6) Equity Shares of Rs. 10 each fully paid up of PDS as determined by the valuers, is **fair and reasonable** and may be adopted for share exchange with regard to the proposed de-merger of the companies.

### 6. Disclaimer Clause

We hereby declare that we have no direct / indirect interest in the Companies/assets valued. Our work did not constitute an audit in accordance with the Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services.

Further, we would like to represent that the above valuation exercise used in the determination of above exchange ratio does not necessarily represent a pure scientific approach or a universally used valuation methodologies. Since the valuation is a very dynamic and subjective in nature, the values have been derived and frozen on the basis of related assumptions through an independent opinion on the basis of the material facts placed thereon. Further, our opinion with regard to the fairness on the valuation done by the valuer is done purely to ascertain "Fairness" from a general & independent point of view and has mainly concentrated towards ensuring that no material discrepancies are prevalent in the report. We would also like to take this opportunity to thank the management of both the companies for the cooperation and support provided to our team in carrying out this assignment. This certificate is being issued on the request of the company for filing the same with regulatory authorities.

For NEXGEN FINANCIAL SOLUTIONS PRIVATE LIMITED

Sd/-  
SUKHVINDER SINGH

## FORM OF PROXY

I/We \_\_\_\_\_ the undersigned, Unsecured Creditor(s) of Pearl Global Industries Limited Applicant No. 1/Transferor Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ and failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy, to act for me /us at the meeting of the Unsecured Creditors of the Pearl Global Industries Limited to be held on Friday, the 04<sup>th</sup> day of October, 2013 at 2:30 P. M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi, for the purpose of considering and, if thought fit, approving, with or without modification(s), the proposed Scheme of Arrangement by and between Pearl Global Industries Limited and PDS Multinational Fashions Limited, and their respective shareholders and creditors at such meeting and any adjournment(s) thereof, to vote, for me/us and in my/our name(s) \_\_\_\_\_ (here "if for" insert "for", "if against" insert "against" and in the latter case strike out the words appearing after "Scheme of Arrangement") the said Scheme of Arrangement either with or without modifications as my/our proxy may approve.

Dated this \_\_\_\_ day of \_\_\_\_\_ 2013

Affix Re 1  
Revenue  
Stamp

Signature .....

Name : .....

Address: .....

.....

Folio No. (for physical holding) .....

DP ID/Client ID for (demat holding) .....

**Strike out which ever is not necessary**

### Notes:

1. The Proxy should be deposited at the Registered Office of at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028, not later than 48 hours before the commencement of the meeting.
2. In case of multiple Proxies, Proxy later in time shall be accepted.
3. All alterations made in the Form of Proxy should be initialed.

## ATTENDANCE SLIP

**(PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE REGISTRATION COUNTER FOR ISSUING GATEPASS FOR ENTERING THE MEETING HALL)**

I/We hereby record my / our presence at the Court convened meeting of the Unsecured Creditors of Pearl Global Industries Limited, Applicant No. 1/Transferor Company, to be held on Friday, the 04<sup>th</sup> day of October, 2013 at 2:30 P.M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi for the purpose of considering and, if thought fit, approving, with or without modifications the proposed Scheme of Arrangement by and between Pearl Global Industries Limited and PDS Multinational Fashions Limited and their respective Shareholders and Creditors, at such meeting and any adjournment(s) thereof.

Signature .....

Name : .....

Address: .....

### Notes:

1. Unsecured Creditors / proxy holders are requested to bring the original Attendance Slip duly filled with them when they come to the meeting venue and hand it over at the Registration Counter.
2. Incomplete attendance slips shall not be accepted for issuing the gate pass for entry in the meeting hall.
3. Unsecured Creditor / proxy to bring in proof of identification (like voter id card, passport, driving license, adhar card) in original and a photocopy.
4. In case the Unsecured Creditor is a Company, then the Authorised Representative of that Company shall carry the Board Resolution.



**PearlGlobal**

**PEARL GLOBAL INDUSTRIES LIMITED**

**COURT CONVENED MEETING OF THE  
SECURED CREDITORS**

**INDEX**

**Day** : Friday

**Date** : 04th October, 2013

**Time** : 12:30 p.m.

**Venue** : Sri Sathya Sai International Centre,  
Pragati Vihar, Lodhi Road,  
New Delhi - 110003

<b>S. No.</b>	<b>Description</b>	<b>Page No.</b>
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**Registered Office:**

A-3, Community Centre, Naraina Industrial Area, Phase - II, New Delhi - 110 028

**IN THE HIGH COURT OF DELHI AT NEW DELHI  
ORDINARY ORIGINAL JURISDICTION  
COMPANY APPLICATION (M) NO. 100 OF 2013**

IN THE MATTER OF:

The Companies Act, 1956

AND

IN THE MATTER OF:

A joint application under Section  
391 to 394 of the said Act

AND

IN THE MATTER OF:

**Pearl Global Industries Limited**, a Public Limited Company incorporated on 5<sup>th</sup> July 1989, under the Companies Act, 1956, having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO. 1/  
TRANSFEROR COMPANY/  
DEMERGED COMPANY**

AND

**PDS Multinational Fashions Limited**, a Public Limited Company incorporated on 6<sup>th</sup> April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO.2/  
TRANSFEREE COMPANY/  
RESULTING COMPANY**



**NOTICE CONVENING MEETING OF THE SECURED CREDITORS OF  
PEARL GLOBAL INDUSTRIES LIMITED**

To,

The **Secured Creditors** of **PEARL GLOBAL INDUSTRIES LIMITED**

TAKE NOTICE that by an order made on 02<sup>nd</sup> August, 2013, the Hon'ble High Court of Delhi has directed that a meeting of the Secured Creditors of the Company **PEARL GLOBAL INDUSTRIES LIMITED (PGIL)** be held for the purposes of considering, and if thought fit, approving, with or without modification, the proposed Scheme of Arrangement between **Pearl Global Industries Limited** and **PDS Multinational Fashions Limited**, fully described above and their respective Equity Shareholders and Secured and Unsecured Creditors.

TAKE FURTHER NOTICE that in pursuance of the said order, a meeting of the Secured Creditors of PGIL will be held on Friday, 04<sup>th</sup> October, 2013 at 12:30 P. M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi, which you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or through proxy, provided that a proxy in the prescribed form, duly signed by you, is deposited at the Registered Office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028, not later than 48 hours before the meeting.

The Hon'ble High Court of Delhi has appointed Mr. Mayank Goel, Advocate as Chairperson and failing him, Ms. Pranita Shekhar, Advocate as Alternate Chairperson of the said meeting.

A copy of each of the Scheme of Arrangement, the Statement under section 393 of the Companies Act, 1956, fairness Opinion, form of proxy and attendance slip are enclosed.

Dated this 26<sup>th</sup> day of August, 2013

(Malini Sud)  
Advocate  
Counsel for Applicant Company  
D – 41, Defence Colony  
New Delhi - 110024

Sd/-  
(Mr. Mayank Goel)  
Advocate  
Chairperson appointed for the meeting

**NOTE:**

1. *All alterations made in the Form of Proxy should be initialed.*
2. *Corporate shareholders intending to send their authorized representative to attend the meeting are requested to bring along, with the, a certified true copy of resolution of the Board of Director's or its Committee thereof / Power of Attorney, authorizing such person to attend and vote on its behalf at the meeting.*
3. *Secured Creditor / proxy to bring in proof of identification (like voter id card, passport, driving license, adhar card) in original and a photocopy and Authorization letter.*

**IN THE HIGH COURT OF DELHI AT NEW DELHI  
ORDINARY ORIGINAL JURISDICTION  
COMPANY APPLICATION (M) NO. 100 OF 2013**

IN THE MATTER OF:

The Companies Act, 1956

AND

IN THE MATTER OF:

A joint application under Section  
391 to 394 of the said Act

AND

IN THE MATTER OF:

**Pearl Global Industries Limited**, a Public Limited Company incorporated on 5<sup>th</sup> July 1989, under the Companies Act, 1956, having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO. 1/  
TRANSFEROR COMPANY/  
DEMERGED COMPANY**

AND

**PDS Multinational Fashions Limited**, a Public Limited Company incorporated on 6<sup>th</sup> April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028

**... APPLICANT NO.2/  
TRANSFeree COMPANY/  
RESULTING COMPANY**

## EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. A Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956 ("Act") is proposed by and between Pearl Global Industries Limited ("PGIL"), the Transferor Company with PDS Multinational Fashions Limited ("PDS"), the Transferee Company. In terms of the Scheme of Arrangement of PGIL with PDS ("Scheme") the Demerged Undertaking of PGIL will demerge from PGIL and amalgamate and merge with and into PDS which will thereby result in continued existence of the residual undertaking of PGIL and PDS, the resulting company.

PGIL and PDS had filed a Joint Application being Company Application (Main) No. 100 of 2013 before the Hon'ble High Court of Delhi seeking directions from the Hon'ble Court for convening the meetings of the Shareholders, Secured Creditors and Unsecured Creditors of PGIL for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme. The Hon'ble High Court of Delhi, by an order dated 02<sup>nd</sup> August, 2013 has directed the convening of the following separate meetings to consider the Scheme:-

### For PGIL (Demerged/Transferor Company)

Meeting of Shareholders – On 04<sup>th</sup> October, 2013 at 10:30 A.M.

Meeting of Secured Creditors – On 04<sup>th</sup> October, 2013 at 12:30 P.M.

Meeting of Unsecured Creditors – On 04<sup>th</sup> October, 2013 at 02:30 P.M.

All the above meetings are to be held at the Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme.

This Statement explaining the terms of the Scheme is being furnished as required under Section 393 (1) (a) of the Companies Act, 1956.

2. The Scheme was placed before the Board of Directors of PGIL and PDS at the Board meeting both held on 12<sup>th</sup> November, 2012. The Board of Directors of both the PGIL and PDS have approved the Scheme and filing thereof before the Hon'ble High Court of Delhi and all other acts incidental thereto. Further, a Board Resolution was passed by the Board of Directors of PGIL held on 30<sup>th</sup> May, 2013 approving the compliance of SEBI Circular dated 21.05.2013.
3. Transferor Company/Demerged Company i.e. Pearl Global Industries Limited was incorporated on 05<sup>th</sup> July, 1989 vide Certificate of Incorporation issued by the Registrar of Companies, NCT of Delhi & Haryana dated 05<sup>th</sup> July, 1989 vide CIN L74899DL1989PLC036849 as Mina Estates Private Limited. The name was changed to House of Pearl Fashions Private Limited on 19<sup>th</sup> June, 2006 and was further changed to House of Pearl Fashions Limited, with effect from 31<sup>st</sup> July, 2006, consequent upon its conversion to a public limited company. The name of the company was again changed to Pearl Global Industries Limited on the 20<sup>th</sup> March, 2012.

PGIL is engaged in the business of manufacturing, export, import and trading which includes Sourcing, Distribution and Marketing of ready to wear garments.

The Authorised Share Capital of the Transferor Company as on 01<sup>st</sup> April, 2012 is Rs. 84,01,00,000/- (Rupees Eighty Four Crore and One Lakh Only) comprising of 5,14,40,000 Equity shares of Rs. 10/- each being Rs. 51,44,00,000/- (Rupees Fifty One Crore Forty Four Lacs only), 10,000 4% Non-Cumulative Redeemable Preference shares of Rs. 10/- each being Rs. 1,00,000/- (Rupees One Lakh only) and 32,56,000 10.5% Non-Cumulative Redeemable Preference shares of Rs. 100/- each being Rs. 32,56,00,000/- (Rupees Thirty Two Crores Fifty Six Lacs Only). The Issued, Subscribed and Paid-Up Share Capital of the Transferor Company, as on 1<sup>st</sup> April, 2012 is Rs. 21,66,39,370/- (Rupees Twenty One Crore Sixty Six Lacs Thirty Nine Thousand and Three Hundred and Seventy only) comprising of 2,16,63,937 Equity Shares of Rs. 10/ each fully paid up. The share capital structure of Transferor Company, PGIL as on 01<sup>st</sup> April 2012 is as under:

Particulars	Amount (Rs)
<b>Authorized Capital</b>	
51,440,000 Equity Shares of 10/- each	514,400,000
10,000 4% Non Cumulative Redeemable Preference Shares of Rs.10/- each	100,000
3,256,000 10.5% Non Cumulative Redeemable Preference Shares of Rs.100/- each	325,600,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
21,663,937 Equity Shares of Rs.10/- fully paid up	216,639,370

4. Transferee Company, PDS a wholly owned subsidiary of the Transferor Company was incorporated on 06<sup>th</sup> April, 2011 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, NCT of Delhi & Haryana dated 06<sup>th</sup> April, 2011 vide CIN U18101DL2011PLC217162.

PDS is engaged in the business of trading which includes Sourcing, Distribution and Marketing of ready to wear garments.

The Authorised Share Capital of the Transferee Company as on 01<sup>st</sup> April, 2012 is Rs. 50,00,000/- (Rupees Fifty Lacs Only) being 5,00,000/- equity shares of Rs. 10/- each. The Issued, Subscribed and Paid-Up Share Capital of the Transferee Company, as on 1<sup>st</sup> April, 2012 is Rs.5,00,000/- (Rupees Five Lacs only) being 50,000/- equity shares of Rs. 10/- each fully paid up. The share capital structure of Transferee Company (PDS) as on 01<sup>st</sup> April 2012 is as under:

Particulars	Amount (Rs)
<b>Authorized Capital</b>	
500,000 Equity Shares of 10/- each	50,00,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
50,000 Equity Shares of Rs.10/- fully paid up	5,00,000

5. The circumstances, reasons and grounds that have necessitated and/ or justify the said Scheme are, *inter alia*, as follows:
- The Sourcing Distribution & Marketing business of the Transferor Company is a growing business, having the capability of attracting different set of investors, strategic partners, lenders and stakeholders. In the view of the same, it will be beneficial to merge the demerged undertaking of the Transferor Company into the Transferee Company.
  - Considering the size of the Transferor Company and its significant growth in its business operations, it would be advantageous to re-organize it by demerging the Demerged Undertaking of the Transferor Company and subsequently amalgamating the said Demerged Undertaking with and into Transferee Company.
  - The re-organization will ensure better operational management and focus on accelerated growth of individual units, with higher returns to the shareholders, creditors, employees and also to the public in general.
  - Demerger of the said business of the Transferor Company will enable having focused management attention on the said business.
  - The Proposed Scheme of Arrangement is in the interest of all the parties to the Scheme and their respective shareholders and creditors, and will in the long term be in the interest and welfare of the employees.
6. The registered office of PGIL and PDS is situated in New Delhi. Therefore, PGIL and PDS have filed their joint application for the approval of the Scheme before the Hon'ble High Court of Delhi, having competent jurisdiction.
7. On the scheme being approved by its Shareholders, Secured and Unsecured Creditors, as the case may be, joint petition will be filed under Section 394 of the Companies Act, 1956 before the Hon'ble High Court of Delhi, for sanction of the Scheme.
8. No investigation proceedings have been instituted or are pending under Section 235 to 251 of the Companies Act, 1956 against the Transferor Company and Transferee Company.
9. The directors of PGIL may be deemed to be concerned and/or interested in the Scheme to the extent of their shareholding in the Transferor Company. The directors of PDS may also be deemed to be concerned and/or interested in the Scheme to the extent, the said directors are the partners/members of PDS, firms, association of persons or bodies corporate and/or beneficiaries of trust that hold shares in PDS or to the extent they may be allotted shares in PDS as a result of the scheme.
10. PGIL is a listed company and has obtained no objection/approval to the Scheme from the National Stock Exchange and Bombay Stock Exchange vide their letters dated 12<sup>th</sup> April, 2013 and subsequently, vide their letters dated 10<sup>th</sup> July, 2013 and 1<sup>st</sup> July, 2013, respectively in pursuance of the Undertaking filed by PGIL in compliance with the SEBI circulars dated 04<sup>th</sup> February, 2013 and 21<sup>st</sup> May, 2013.
11. List of Directors of PGIL together with the Shares held by them in the PGIL as on 30 June, 2013 is given below:-

S. No.	Names of Directors	Number of Shares held in PGIL
1	Mr. Deepak Seth	15,44,499
2	Mr. Pallak Seth	13,17,646
3	Mr. Pulkit Seth	15,11,384
4	Mrs. Shefali Seth	30
5	Mr. Chittranjan Dua	NIL
6	Mr. Rajendra kumar Aneja	NIL
7	Mr. Anil Nayar	NIL
8	Dr. Ashutosh Prabhudas Bhupatkar	NIL
9	Mr. Samar Ballav Mohapatra	NIL
10	Mr. Vinod Vaish	NIL

12. List of Directors of PDS together with the Shares held by them in PDS as on 30 June, 2013 is given below:-

S. No.	Names of Directors	Number of Shares held in PDS
1	Mr. Deepak Seth	1*
2	Mrs. Payel Seth	1*
3	Mr. Pulkit Seth	1*
4	Mr. Pallak Seth	1*
5	Mr. A.K.G. Nair	NIL
6	Mr. Omprakash S Makam	NIL

\* For and on behalf of PGIL as its nominee

13. In consideration of this Scheme and as an integral part thereof, the share capital of PDS shall be restructured and reorganized in the manner set out herein below:

Particulars	Amount (Rs.)
<b>Authorised:</b>	
2,70,00,000 Equity Shares of Rs. 10/- each	27,00,00,000
<b>TOTAL</b>	<b>27,00,00,000</b>
<b>Issued, Subscribed &amp; Paid-Up</b>	
2,60,46,724 Equity Shares of Rs. 10/- each	26,04,67,240
<b>TOTAL</b>	<b>26,04,67,240</b>

14. The pre-scheme and post-scheme shareholding pattern of PDS is set out below:-

S. No.	Category of Shareholder	Pre Scheme		Post Scheme	
		No. of Shares held	% of total no. of Shares	No. of Shares held	% of total no. of Shares
1	Promoters and Promoter Group	50,000	100	1,73,59,888	66.65
2	Mutual Funds	NIL	NIL	10,34,677	3.97
3	Financial Institutions/Banks	NIL	NIL	73,394	0.28
4	Insurance Companies	NIL	NIL	6,15,998	2.36
5	Foreign Institutional Investors	NIL	NIL	3,07,446	1.18
6	Bodies Corporate	NIL	NIL	8,77,311	3.37
7	Individuals	NIL	NIL	49,01,088	18.82
8	NRIs & OCBs	NIL	NIL	4,25,199	1.63
9	Hindu Undivided Families	NIL	NIL	4,44,789	1.71
10	Trusts and Clearing Members	NIL	NIL	6,934	0.03
	<b>TOTAL</b>	<b>50,000</b>	<b>100</b>	<b>2,60,46,724</b>	<b>100.00</b>

15. The salient features of the scheme as extracted therefrom are as follows:-

Demerger of Demerged Undertaking of PGIL and subsequent amalgamation with and into PDS:-

- Upon the scheme coming into effect on the Effective Date (defined in the Scheme to mean *'the last of the date on which the conditions and matters of the Scheme of Arrangement occur or has been fulfilled or waived and the certified copies of the order of the Hon'ble High Court of Delhi sanctioning the Scheme of Arrangement is filed with the Registrar of Companies, by PGIL and PDS'*) and with effect from the Appointed Date, the demerged Undertaking of PGIL comprising of all the assets and liabilities of whatsoever nature and wherever situated, shall be and stand transferred to the Resulting Company, as a going concern in accordance with Section 2 (19AA) of the Income Tax Act, so as to become, as and from the Appointed Date, the assets and liabilities of the Resulting Company and all the rights, titles, interests or obligations of the said Undertaking therein shall be vested in the Resulting Company. All the assets, properties and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged Company at the close of business on 31<sup>st</sup> March 2012.
- Upon the scheme coming into effect on the Effective Date and with effect from the Appointed Date, all incorporeal or intangible property of the Demerged Undertaking of PGIL, shall stand vested in PDS and shall become the property and an integral part of PDS, without any act or deed done by PGIL or PDS.
- Upon the scheme coming into effect on the Effective date and with effect from the Appointed Date, subject to the other provisions of this Scheme, all contracts, memorandum of understandings, tenders, bid documents, expressions of interest, deeds, bonds, agreements and other instruments of whatsoever nature ('Contracts') to which the Demerged

Company is a party, in relation of the Demerged Undertaking, subsisting or having effect immediately before the Effective Date, shall remain in full force and effect against or in favour of the Resulting Company and may be enforced as fully and as effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.

- iv. Upon demerger of the Demerged Undertaking of the Transferor Company with and into the Transferee Company, the Authorised Share Capital of the Transferee Company shall be reorganized and will increase to Rs. 27,00,00,000/- (Rupees Twenty Seven Crores only).
- v. Upon the coming into effect of the Scheme of Arrangement, pursuant to Part II of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each shareholder of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record date, the equity shares of the Resulting Company in the Share Entitlement Ratio of 6 Equity Share in the Resulting Company of Rs.10/- credited as fully paid up for every 5 Equity Shares of Rs10 /- each fully paid up held by such shareholder in the Demerged Company.
- vi. Upon coming into effect of the Scheme, the entire Equity Share Capital of the Resulting Company including the New Equity Shares issued in terms hereof shall, subject to payment of the appropriate fee and approval of the respective stock exchange(s), be listed on recognized stock exchange(s) in India, where the shares of the Demerged Company are already listed.
- vii. Upon coming into effect of the Scheme, no special resolution under section 81(1A) of the Act, shall be required to be passed by the Resulting Company separately in a General Meeting for issue of shares to the shareholders of the Demerged Company under the Scheme and upon the members of the Resulting Company approving the Scheme, it shall be deemed that they have given their consent to the issue of shares of the Resulting Company to the shareholders of the Demerged Company on the basis of the Share Entitlement Ratio.
- viii. Upon coming into effect of the Scheme, the shares proposed to be allotted pursuant to the Scheme shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Resulting Company and shall rank pari pasu with the existing shares of the Resulting Company, including the rights in respect of dividend and bonus shares, if declared by the Resulting Company on or after the Effective Date as specified in Clause 8 of the Scheme of Arrangement.
- ix. Upon coming into effect of this Scheme and pursuant to the allotment of shares by the Resulting Company in terms of Clause 5.1 of the Scheme, the existing share premium account of the Demerged Company, amounting to Rs. 2,778,164,164/- shall be reduced to Rs.1,710,389,823/- shall be cancelled, in accordance with provisions of sections 100 to 103 of the Act and order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under section 102 of the Act, for the purpose of confirming the reduction in the share premium of the Demerged Company. The reduction in the share premium of the Demerged Company, shall not involve any diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable in respect thereof.
- x. Upon the Scheme coming into effect the Residual Undertaking and all its assets, liabilities and obligations thereto, shall continue to belong to and be vested with and be managed by the Demerged Company.
- xi. With effect from the Appointed Date and upto and including the Effective Date:
  - (a). The Demerged Company shall carry on and shall be deemed to have carried on all its business and activities as hitherto in relation to the Demerged Undertaking on account of, and for the benefit of and in trust for the Resulting Company.
  - (b). All the profits or incomes accruing or arising to the Demerged Company in relation to the Demerged Undertaking, or expenditure or losses arising or incurred (including but not limited to the effect of advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country, etc.), thereon by the Demerged Company in relation to the Demerged Undertaking shall, for all purposes, be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses or effect of taxes as the case may be, of the Resulting Company.
  - (c). Any of the rights, powers, authorities, privileges, attached, related or pertaining to or exercised by the Demerged Company, in respect of the Demerged Undertaking, shall be deemed to have been exercised by the Demerged Company, for and on behalf of, and in trust for and as an agent of the Resulting Company. Similarly, any of the obligations, duties, commitments attached, related or pertaining to the Demerged Company that have been undertaken or discharged by the Demerged Company, shall be deemed to have been undertaken for and on behalf of and in trust for and as an agent for the Resulting Company.
- xii. Upon the Scheme coming into effect, the treatment in the books of the Demerged Company shall give effect to the following accounting treatment as at the Appointed Date:
  - (a). The Demerged Company shall upon the Scheme becoming effective, record the deletion of the assets and

liabilities of the Demerged Undertaking transferred to and vesting in the Resulting Company, pursuant to this Scheme at their respective book values as appearing in its books as at the close of business of a day (i.e. 31st March, 2012), immediately preceding the Appointed Date.

- (b). The difference between the book value of the assets (net of diminution/depreciation, if any) and the book value of the liabilities of the Demerged Company that is transferred to the Resulting Company pursuant to the Scheme, if any, would be debited to the Share Premium Account in accordance with the provisions of Section 100 of the Act and the balance, if remaining thereafter, would be adjusted against the General Reserve Account.
  - (c). The application and consequential reduction of Share Premium Account, as above, shall form an integral part of the Scheme itself, as the same does not involve any diminution of liability in respect of unpaid Share Capital or payment, to any shareholder of paid-up Share Capital and the order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under Section 102 of the Act, confirming the reduction in the Share Premium Account of the Demerged Company.
- xiii. Upon coming into effect of the Scheme, the Resulting Company shall follow the accounting treatment laid down as under, at the Appointed Date:
- i. The Resulting Company shall, record the assets and liabilities (difference between the assets and liabilities hereinafter referred to as "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of the Demerged Company, at the close of business of the day immediately preceding the Appointed Date.
  - ii. The Resulting Company shall credit to its Share Capital Account in its books of accounts, the aggregate face value of the new equity shares issued by it to the members of the Demerged Company pursuant to Clause 5.1 of the Scheme.
  - iii. The difference between the Net Asset and amount credited to the Share Capital account shall be credited in to "Capital Reserve Account".
16. The Equity Shareholders, Secured Creditors and Unsecured Creditors of PGIL are entitled to attend and vote at the respective Court convened meetings or may appoint proxy to attend and vote at the respective meetings. The instrument appointing the proxy should be deposited at the Registered office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 not later than 48 (Forty Eight) hours before the time fixed for the meeting in respect of which proxy is made. The Equity Shareholders, Secured Creditors and Unsecured Creditors authorizing their representative to attend the meeting on their behalf are requested to file with the company PGIL, a copy of the duly executed and properly filled resolution (in case of Corporates) or other documents authorising the representative to attend and vote on the Scheme at the Court convened meetings. Such authorization/documents should be deposited at the Registered office of the company at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 not later than 48 (Forty Eight) hours prior to the time fixed for the respective meetings.
17. The following documents will be open for inspection by the Equity Shareholders/Secured Creditors/Unsecured Creditors of PGIL as the case may be upto the date of meeting between 10 a.m. and 5 p.m. on all working days except Saturday at the registered office of PGIL at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028 and will also be available at the meetings.
- (i) Certified Copy of the order of the Hon'ble Court of Delhi dated 02<sup>nd</sup> August, 2013 *inter alia*, directing convening separate meeting of:-
    - (a) Equity Shareholders of PGIL;
    - (b) Secured Creditors of PGIL; and
    - (c) Unsecured Creditors of PGIL
  - (ii) Copies of Memorandum and Articles of Association of PGIL.
  - (iii) Audited annual accounts of PGIL for the year ended on 31.03.2013.
  - (iv) Unaudited financial results of PGIL for the quarter ended 30.06.2013.
  - (v) Copy of the "No objection letters" from the National Stock Exchange and Bombay Stock Exchange dated 12<sup>th</sup> April, 10<sup>th</sup> and 11<sup>th</sup> July, 2013, respectively.
  - (vi) Copy of the proposed Scheme of Arrangement.
  - (vii) Fairness Opinion.

## FAIRNESS OPINION

Date: November 19th, 2012

The Board of Directors  
**Pearl Global Industries Ltd. ("PGIL")**  
A-3, Community Center, Naraina Industrial Area, Phase - II  
New Delhi - 110028

AND

The Board of Directors  
**PDS Multinational Fashions Ltd. ("PDS")**  
A-3, Community Center, Naraina Industrial Area, Phase - II  
New Delhi - 110028

**Subject: Clause 24 (h) of the Listing Agreement: "Fairness Opinion" of Independent Merchant Banker**

**Ref: Scheme of Arrangement between Pearl Global Industries Ltd. ("PGIL") & PDS Multinational Fashions Ltd. ("PDS") and their respective Shareholders & Creditors through Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956**

Dear Sir(s),

With reference to the Proposed Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 between Pearl Global Industries Ltd. ("PGIL or Transferor") & PDS Multinational Fashions Ltd. ("PDS or Transferee") & their respective Shareholders & Creditors in pursuance to business valuation carried out by **S. R. Dinodia & Co., Chartered Accountants and B. R. Gupta & Co., Chartered Accountants ("the Valuers.")** for determining the fair share exchange ratio of PGIL and PDS as on March 31st, 2012.

We as a Merchant Banker hereby certify that pursuant to the Clause 24 (h) of the Listing Agreement, we have reviewed the valuation report prepared by the Valuers and are of the opinion that the Swap Ratio (Exchange Ratio) of Shares of the above companies should be taken as "**Fair**" for the Proposed scheme of arrangement section 391 to 394 of the Companies Act, 1956 under in view of our understanding & review of the report of the Valuers herein placed below:

### 1. ABOUT THE COMPANIES

The Business Segments of both the companies are given herein under:

**Pearl Global Industries Ltd. ("PGIL")** - the Demerged Company was incorporated on July 5th, 1989 under the Companies Act, 1956 with the Registrar of Companies, Delhi. The company is engaged in the business of manufacturing, export, import and trading which includes sourcing, distribution and marketing of ready to wear garments. The Shares of the company are listed on both National Stock Exchange (NSE) & Bombay Stock Exchange (BSE).

**PDS Multinational Fashions Limited ("PDS")** - the Resulting Company was incorporated on April 6th, 2011. PDS is the wholly owned subsidiary of PGIL and is inter - alia engaged in the business of trading which includes sourcing, distribution and marketing of ready to wear garments. The Shares of the company are not listed on any stock exchange.

### 2. PROPOSED SCHEME OF ARRANGEMENT

PGIL is planning to demerge one of its undertakings (i.e. Sourcing, Distribution and Marketing business of PGIL) and will merge the said undertaking with and into PDS pursuant to Sections 391 to 394 of the Companies Act, 1956 and PDS will be the Resulting Entity. The Equity Shares of PDS will be issued to the equity shareholders of PGIL on a proportionate basis as per fair exchange ratio of 6:5 (i.e. 6 Equity Shares of Rs. 10 each fully paid in PDS shall be offered for every 5 Equity Shares of Rs. 10 each fully paid up held in PGIL) as calculated by Valuers.



### 3. PURPOSE OF VALUATION

Pursuant to the scheme of arrangement PGIL is proposing for the demerger of the Demerged Undertaking from it and subsequent merger/amalgamation of the said Demerged Undertaking with and into PDS, the shareholders of PGIL are to be allotted shares of PDS, as per the proposed Scheme of Arrangement. For this purpose, a proper valuation of the Shares of both the entities needs to be carried out in compliance with Sections 391 to 394 as prescribed under the Companies Act, 1956 and stock exchange listing requirements.

### 4. VALUATION APPROACH BY VALUER

For the purpose of ascertaining the reasonableness of this valuation, various quantitative factors have been considered by the Valuer based upon the financial details of the respective companies. The Valuer has determined the respective Equity Valuation of the above companies for determining the exchange ratio by using Net Asset Value Method.

The valuer has further taken into account the increased net worth of the subsidiaries of the demerged entity, copies of annual accounts and other financial statements of the companies under arrangement besides the discussions with the management of both the companies regarding past and present operations of these companies in order to arrive at proper valuation of the respective business(es).

### 5. Our Opinion with Regard to the Overall Valuation Methodology

On the basis of our understanding and on the basis of independent valuation done by the valuers, we hereby opine that the Share Exchange Ratio of 6:5, i.e. shareholders holding five (5) Equity Shares of Rs. 10 each fully paid of PGIL would get six (6) Equity Shares of Rs. 10 each fully paid up of PDS as determined by the valuers, is **fair and reasonable** and may be adopted for share exchange with regard to the proposed de-merger of the companies.

### 6. Disclaimer Clause

We hereby declare that we have no direct / indirect interest in the Companies/assets valued. Our work did not constitute an audit in accordance with the Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services.

Further, we would like to represent that the above valuation exercise used in the determination of above exchange ratio does not necessarily represent a pure scientific approach or a universally used valuation methodologies. Since the valuation is a very dynamic and subjective in nature, the values have been derived and frozen on the basis of related assumptions through an independent opinion on the basis of the material facts placed thereon. Further, our opinion with regard to the fairness on the valuation done by the valuer is done purely to ascertain "Fairness" from a general & independent point of view and has mainly concentrated towards ensuring that no material discrepancies are prevalent in the report. We would also like to take this opportunity to thank the management of both the companies for the cooperation and support provided to our team in carrying out this assignment. This certificate is being issued on the request of the company for filing the same with regulatory authorities.

For NEXGEN FINANCIAL SOLUTIONS PRIVATE LIMITED

Sd/-  
SUKHVINDER SINGH

# SCHEME OF ARRANGEMENT

UNDER SECTIONS 391 TO 394

OF THE COMPANIES ACT, 1956

BETWEEN

**PEARL GLOBAL INDUSTRIES LIMITED**  
(“Transferor Company/Demerged Company”)

AND

**PDS MULTINATIONAL FASHIONS LIMITED**  
(“Transferee Company/Resulting Company”)

AND

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

## PREAMBLE

(A) **Description of the Companies:**

1. Pearl Global Industries Limited (hereinafter referred to as “**PGIL**”, is a limited company incorporated on 5<sup>th</sup> of July, 1989 under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028. PGIL was incorporated on July 5, 1989 as Mina Estates Private Limited, a private limited company, with the Registrar of Companies, Delhi and Haryana. Its name was changed to House of Pearl Fashions Private Limited with effect from June 19, 2006. Its name was further changed to its name, House of Pearl Fashions Limited, with effect from July 31, 2006 consequent upon its conversion to a public limited company. Its name was further changed to current name Pearl Global Industries Limited with effect from March 20, 2012.
2. PGIL is engaged in the business of manufacturing, export, import and trading which includes sourcing, distribution and marketing of ready to wear garments.
3. The equity shares of PGIL are listed on the Bombay Stock Exchange and the National Stock Exchange Limited.
4. PDS Multinational Fashions Ltd. (hereinafter also referred to as “**PDS**”), is a Limited company incorporated on 6<sup>th</sup> of April, 2011 under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028. PDS is the wholly owned subsidiary of PGIL and is inter – alia engaged in the business of trading which includes sourcing, distribution and marketing of ready to wear garments.
5. This Scheme of Arrangement is proposed for demerger of the Demerged Undertaking (described hereinafter) from PGIL and subsequent merger/amalgamation of the said Demerged Undertaking with and into PDS, pursuant to Sections 391 to 394 and other applicable provisions of the Companies Act, 1956.

**(B) Purpose of the Scheme**

1. This Scheme of Arrangement is presented under Section 391 to Section 394 of the Companies Act, 1956 and other applicable laws for the demerger of Demerged Undertaking from PGIL and its subsequent merger/amalgamation with and into PDS.
2. This scheme provides for the issue and allotment of shares of PDS to the shareholders of PGIL, as consideration for the transfer of the Demerged Undertaking from PGIL to PDS, and the subsequent listing of such shares on the Stock Exchanges.
3. This scheme also provides for various other matters consequential or otherwise integrally connected with the transfer and vesting of the Demerged Undertaking from PGIL to PDS.

**(C) Rationale of the Scheme**

The Scheme of Arrangement for demerger of the Demerged Undertaking of PGIL and subsequent merger/amalgamation with PDS would, *inter alia*, have the following benefits for the Shareholders:

1. The Sourcing Distribution & Marketing business of PGIL is a growing business, having the capability of attracting different set of investors, strategic partners, lenders and stakeholders. In the view of the same, it is proposed to demerge the said business and subsequently merge it into PDS.
2. Considering the size of PGIL and its significant growth in its business operations, it would be advantageous to re-organize it by demerging the Demerged Undertaking of PGIL and subsequently amalgamating the said Demerged Undertaking with and into PDS.
3. The re-organization will ensure better operational management and focus on accelerated growth of individual units, with higher returns to the shareholders, creditors, employees and also to the public in general.
4. Demerger of the said business of PGIL will enable having focused management attention on the said business.
5. The Proposed Scheme of Arrangement is in the interest of all the parties to the Scheme and their respective shareholders and creditors, and will in the long term be in the interest and welfare of the employees.

In view of the aforesaid, the Board of Directors of **Pearl Global Industries Limited** as well as the Board of Directors of **PDS Multinational Fashions Limited** have considered and proposed the demerger of the Demerged Undertaking of PGIL and its subsequent merger / amalgamation with and into PDS in order to benefit the stakeholders of the two Companies. Accordingly, the Board of Directors of both the companies have formulated this Scheme of Arrangement pursuant to the provisions of Section 391 to Section 394 and other relevant provisions of the Companies Act, 1956.

**(D) Parts of the Scheme**

The scheme is divided into the following parts:

1. **PART I** deals with the Definitions of terms used in this Scheme of Arrangement and Share Capital of PGIL and PDS;
2. **PART II** deals with demerger of the Demerged Undertaking of PGIL and subsequent merger / amalgamation with and into PDS;
3. **PART III** deals with the Alteration of Memorandum of Association; reorganization of Share Capital and subsequent listing of shares of PDS;
4. **PART IV** deals with General Terms and Conditions; and
5. **PART V** deals with Other Terms and Conditions.

- (E)** The demerger of the Demerged Undertaking of PGIL and its subsequent merger with and into PDS, pursuant to and in accordance with this Scheme, shall take place with effect from the Appointed Date and shall be in accordance with sections 2(19AA), 2(19AAA) and 2(41A) of Income Tax Act, 1961.

## PART I

### DEFINITIONS AND SHARE CAPITAL

#### 1. DEFINITIONS

In this Scheme (as defined hereinafter), unless repugnant to the context or meaning thereof, the following expressions shall have the meanings as under:-

- 1.1. "**Act**" means the Companies Act, 1956, and shall include any statutory modification, re-enactment or amendments thereof for the time being in force;
- 1.2. "**Appointed Date**" means for the purpose of this scheme, 1<sup>st</sup> April, 2012 or such other date as the Hon'ble High Court of New Delhi may direct or approve;
- 1.3. "**Board of Directors**" shall have the same meaning as under the Act;
- 1.4. "**Book Value(s)**" means the value(s) of the assets and the liabilities of the Demerged Undertaking as appearing in the books of accounts of PGIL at the close of the business as on 31<sup>st</sup> March, 2012;
- 1.5. "**Demerged Company/Transferor Company**" means Pearl Global Industries Limited, a limited company incorporated under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II New Delhi, Delhi – 110028.
- 1.6. "**Demerged Undertaking**" means the sourcing, distribution and marketing business of the Demerged Company as a going concern (as on the Appointed Date and as modified and altered from time to time till the Effective Date) and shall include but not limited to:-
  - a. all movable and immovable assets through which the Demerged Company carries on the said business activities and operations pertaining to Sourcing Distribution & Marketing;
  - b. all debts, liabilities, duties and obligations including reserves, contingent liabilities if any, appertaining or allocated to the Sourcing Distribution & Marketing business of the Demerged Company on the Appointed Date;
  - c. all agreements, contracts, engagements, permits, rights, registrations, entitlements, bids, all assignments and grants thereof, tenders, letter of intent, expressions of interest, development rights (whether vested or potential and whether under agreements or otherwise), approvals, consents, subsidies, tax credits, incentives, tenancies in relation to office and/or residential properties for the employees, investments or interest (whether vested, contingent or otherwise) in projects undertaken or contracted to be undertaken either solely or jointly with other parties, goodwill, trademarks, trade names, patents, copyrights, all other intellectual property, bank accounts, receivables, privileges, insurance claims and policies, power of attorney and authorities, certifications, all other rights including sales tax deferrals and exemptions and other benefits, lease rights, licenses, powers and facilities of every kind, nature and description whatsoever, rights to use and avail telephones, emails, telexes, facsimile, VSATs connections and installations and any other communication devices, utilities, electricity 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, including licenses, approvals, certificates, clearances, exemptions and all benefits;
  - d. all deposits or benefits of any deposits, balances, earnest moneys, advances and/or security deposits paid or received by the Demerged Company directly or indirectly in connection with or relating to the Demerged undertaking;
  - e. all books, records, files, papers, process information, licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records, whether in physical form or electronic form in connection with or relating to the Demerged Undertaking;

#### **Explanation:**

1. *For the purpose of this Scheme, it is clarified that the liabilities pertaining to the Demerged Undertaking are:*
  - a. *The liabilities which accrue or arise out of the activities or operation of the Demerged Undertaking;*
  - b. *Specific loans and borrowings (including debentures) raised, incurred and utilized solely for the activities or operation of the Demerged Undertaking; and*
  - c. *Liabilities (including debentures, if any) other than those referred to in sub-clauses (a) and (b) above, if any, being the amounts of general or multipurpose borrowings of PGIL, for the business operations carried out by the Demerged Undertaking in the scientific method as approved by the Board of Directors immediately preceding the Appointed Date.*

2. Any question that may arise as to whether a specified asset or liability pertain or does not pertain to the business operations carried out by the Demerged Undertaking shall be decided by mutual agreement between the Board of Directors of PGIL and PDS.

1.7 "Effective Date" means the last of the date on which the conditions and matters of the Scheme of Arrangement occur or has been fulfilled or waived and the certified copies of the order of the Hon'ble High Court of Delhi sanctioning the Scheme of Arrangement is filed with the registrar of companies by PGIL and PDS.

Reference in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" shall mean the Effective Date.

1.8 "Governmental Authority" means any applicable Central, State or local Government, legislative body, regulatory or administrative authority, agency or commission or any Court, Tribunal, Board, Bureau or instrumentality thereof or Arbitration or Arbitral Body having jurisdiction.

1.9 "High Court" means the Hon'ble High Court of Delhi.

1.10 "Income Tax Act" means the Income Tax Act, 1961, or any statutory modification or re-enactment thereof for the time being in force.

1.11 "Liabilities" shall have the meaning ascribed to it in Clause 3.3 of Part II.

1.12 "Record Date" means the date to be fixed by the Board of Directors of Demerged Company for determining names of the equity shareholders of the Demerged Company, who shall be entitled to shares of PDS upon coming into effect of this Scheme.

1.13 "Residual Undertaking" means all the business, undertakings and divisions of the Demerged Company other than the Demerged Undertaking transferred to, and vested in PDS, pursuant to this Scheme of Arrangement.

1.14 "Resulting Company/Transferee Company" means PDS Multinational Fashions Ltd., a limited company incorporated under the Companies Act, 1956 having its registered office situated at A-3, Community Center, Naraina Industrial Area, Phase-II, New Delhi – 110028 into which the Demerged Undertaking will vest.

1.15 "Scheme of Arrangement" or "Scheme" means this Scheme of Arrangement, in its present form or with any modification(s) approved or directed by the Board of Directors of both the Demerged and Resulting Company and/or by the Hon'ble High Court and/or by any other authority for the purpose of demerger of the Demerged Undertaking of Demerged Company and its subsequent merger / amalgamation with and into the Resulting Company.

1.16 "Share Entitlement Ratio", as defined in Para 5.1 of the Scheme, means the ratio in which the Resulting Company/ Transferee Company will issue and allot shares to each member of the Demerged Company/Transferor Company, whose name appear in the register of members of the Demerged Company on the Record Date.

1.17 "Shareholders" means the persons registered as holders of Equity Shares in the register of members.

1.18 All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as ascribed to them under the Act and other applicable laws, rules and regulations, as the case may be, including any statutory modification or re-enactment thereof from time to time.

## 2. SHARE CAPITAL

2.1 The share capital structure of Demerged Company as on 31<sup>st</sup> March 2012 is as under:

Particulars	Amount in (Rs)
<b>Authorized Capital</b>	
51,440,000 Equity Shares of 10/- each	514,400,000
10,000 4% Non Cumulative Redeemable Preference Shares of Rs.10/- each	100,000
3,256,000 10.5% Non Cumulative Redeemable Preference Shares of Rs.100/- each	325,600,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
21,663,937 Equity Shares of Rs.10/- fully paid up	216,639,370

2.3 The share capital structure of Resulting Company as on 31<sup>st</sup> March, 2012 is as under:

Particulars	Amount in (Rs)
<b>Authorized Capital</b>	
500,000 Equity Shares of 10/- each	5,000,000
<b>Issued, Subscribed &amp; Paid up Capital</b>	
50,000 Equity Shares of Rs.10/- fully paid up	500,000

## PART II

### DEMERGER AND SUBSEQUENT MERGER OF THE DEMERGED UNDERTAKING

#### 3. TRANSFER AND VESTING OF PROPERTIES, ASSETS AND LIABILITIES OF THE DEMERGED UNDERTAKING

##### 3.1 GENERAL

- 3.1.1 The provisions of Part II of the Scheme are intended to comply with the conditions relating to "Demerger" as specified under section 2[(19)AA] of the Income Tax Act. If, at a later date, any terms or provisions of Part II of the Scheme are found or interpreted to be inconsistent with the provisions of section 2[(19)AA] of the Income Tax Act, including resulting from an amendment of law or for any other reason whatsoever, the provisions of section 2[(19)AA] of the Income Tax Act shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with section 2[(19)AA] of the Income Tax Act. Such modification(s) will however not affect the other parts of the Scheme.
- 3.1.2 With effect from the Appointed Date and upon the Scheme becoming effective, the Demerged Undertaking comprising of all the assets and liabilities of whatsoever nature and wherever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further act, instrument or deed, be and stand transferred to the Resulting Company, as a going concern in accordance with Section 2 (19AA) of the Income Tax Act, so as to become, as and from the Appointed Date, the assets and liabilities of the Resulting Company and all the rights, titles, interests or obligations of the said Undertaking therein shall be vested in the Resulting Company.

##### 3.2 TRANSFER OF ASSETS

Without prejudice to the generality of the above clause:

- 3.2.1 With effect from the Appointed Date and upon the Scheme becoming effective, all the assets of the Demerged Undertaking which are movable in nature or incorporeal property or are otherwise capable of being transferred by manual delivery or by endorsement and delivery, shall be so transferred, delivered or endorsed and delivered, as the case may be, by the Demerged Company, and shall upon transfer become the property and an integral part of the Resulting Company. In respect of such of the said assets other than those referred to hereinabove, the same shall, without any further act, instrument or deed, be transferred to, and vested in, and/or be deemed to be transferred to and vested in the Resulting Company.
- 3.2.2 All movable properties of Demerged Undertaking as are intangible in nature (other than those specified in clause 3.2.1 above) including, without limitation, actionable claims, sundry debtors, receivables, bills, credits, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, shall without any further act, instrument or deed be transferred to and vest in the Resulting Company with effect from the Appointed Date, without any notice or other intimation to the debtors, although the Resulting Company may, if it so deems appropriate, give notice in such form as it may deem fit and proper to each of such person, debtor or depositee, as the case may be, that pursuant to the Hon'ble High Court having sanctioned the Scheme, such debt, loan, advance, bank balance, deposit or other asset be paid or made good or held on account of the Resulting Company as the person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realize all such debts (including the debts payable by such person or depositee to the Resulting Company) stands transferred and assigned to the Resulting Company and that appropriate entries should be passed in their books to record the aforesaid change.
- 3.2.3 All immovable properties (including land together with the buildings and structures standing thereon) of Demerged Company relating to Demerged Undertaking, whether freehold or leasehold and any document of title, rights and easements, if any, shall stand transferred to and be vested in Resulting Company, without any further act or deed by Demerged Company or Resulting Company. Resulting Company shall be entitled to exercise all rights and privileges and be liable to pay ground rent, taxes and fulfill obligations, in relation to or applicable to such immovable properties. The mutation / substitution of the title to the immovable properties shall be made and duly recorded in the name of Resulting Company by the appropriate authorities pursuant to the sanction of the Scheme by the Hon'ble High Courts and the Scheme becoming effective in accordance with the terms hereof.
- 3.2.4 For the purpose of giving effect to the orders passed under Sections 391 to 394 of the Act, in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders sanctioning this Scheme, be entitled to get the records of the change in the title and appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking in the Resulting Company.

- 3.2.5 All assets, estate, rights, title, interest and authorities acquired by the Demerged Company in relation to the Demerged Undertaking, after the Appointed Date and prior to the Effective Date, shall also stand transferred to and vested in the Resulting Company, upon coming into effect of the Scheme.
- 3.2.6 For avoidance of any doubt, upon the Scheme becoming effective, all the rights, title, interest and claims of the Demerged Company in any leasehold property, including all the leases, of the Demerged Company in relation to the Demerged Undertaking shall, pursuant to Section 394(2) of the Act, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company. The Demerged Company shall, wherever necessary, execute all necessary documents at its cost, to effect and evidence such transfer and vesting of assets, rights, licenses etc., covered in this Scheme, more particularly under clauses 3.2.1 to 3.2.5 hereof, and make necessary applications to the authorities concerned, independently and/or jointly with the Resulting Company.
- 3.2.7 Without prejudice to the other provisions of the Scheme and notwithstanding the fact that vesting of the Demerged Undertaking occurs by virtue of Part II of the Scheme itself, the Resulting Company may, at any time after the coming into effect of this Scheme, in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary to be executed. The Demerged Company will, if necessary, also be a party to the above arrangements with third parties. The Resulting Company shall, under the provisions of Part II of this Scheme, be deemed to be authorized to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances referred above on the part of the Demerged Company.

### 3.3 TRANSFER OF LIABILITIES

- 3.3.1 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, reserves, duties and obligations of every kind, nature and description relating to the Demerged Undertaking shall, without any further act or deed, be transferred to, or be deemed to be transferred to the Resulting Company, so as to become as and from the Appointed Date, the debts, liabilities, contingent liabilities, duties and obligations of the Resulting Company and the Resulting Company undertakes to meet, discharge and satisfy the same. In respect of general or multipurpose borrowings, debts, liabilities, if any, shall be transferred to or be deemed to be transferred to the Resulting Company in the proportion of the value of assets transferred. Further, it shall not be necessary to obtain consent of any third party or person (other than the creditors of both the Demerged and Resulting Company), who is a party to any contract or arrangement by virtue of such debts, liabilities, contingent liabilities, duties and obligations, in order to give effect to the provisions of this sub-clause.
- 3.3.2 Where any liability and obligation attributed to the Demerged Undertaking on the Appointed Date, has been discharged by the Demerged Company on behalf of the Demerged Undertaking, after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on behalf of the Resulting Company.
- 3.3.3 All liabilities and obligations attributed to the Demerged Undertaking, including unsecured loans, taken over by the Resulting Company, may be discharged by the Resulting Company by way of one time settlement or in any other manner as the Resulting Company may deem fit.
- 3.3.4 The transfer and vesting of the Demerged Undertaking as aforesaid, shall be subject to the existing securities, charges, hypothecation and mortgages, if any, subsisting in relation to any loans or borrowings of the Demerged Undertaking, provided any reference in any security documents or arrangements, to which the Demerged Company is a party, wherein the assets of the Demerged Undertaking have been or are offered or agreed to be offered as security for any financial assistance or obligation, shall be construed as reference only to the assets pertaining to the Demerged Undertaking as are vested in the Resulting Company by virtue of this Scheme, to the end and intent that such security, charge, hypothecation and mortgage, shall not extend or be deemed to extend, to any of the other assets of the Demerged Company or any of the assets of the Resulting Company, provided further that the securities, charges, hypothecation and mortgages, if any, subsisting over and in respect of the assets or any part thereof of the Resulting Company, shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in the Resulting Company, provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Demerged Company in relation to the Demerged Undertaking which shall vest in the Resulting Company by virtue of the vesting of the Demerged Undertaking with the Resulting Company and the Resulting Company shall not be obliged to create any further or additional security, after the Scheme has become operative.

- 3.3.5 All the loans, advances and other facilities sanctioned to the Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilized, shall be deemed to be the loans and advances sanctioned to the Resulting Company and the said loans and advances, shall be drawn and utilized either partly or fully by the Resulting Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by the Resulting Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to the Resulting Company and all the obligations of the Demerged Company in relation to the Demerged Undertaking under any loan agreement, shall be construed and shall become the obligation of the Resulting Company, without any further act or deed on the part of the Resulting Company.
- 3.3.6 All loans raised and used, and liabilities incurred, by the Demerged Company after the Appointed Date, but prior to the Effective Date, for the operations of the Demerged Undertaking shall be discharged by the Resulting Company.
- 3.3.7 All debentures, bonds or other debt securities, if any, of the Demerged Company, in relation to the Demerged Undertaking whether convertible into equity or otherwise, shall on the Effective Date, be transferred to the Resulting Company.
- 3.3.8 All encumbrances over the assets of the Demerged Undertakings in so far as to meet the liabilities of the Residual Undertaking, shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that they shall stand released and discharged from the obligations of the Demerged Undertaking and shall only extend to and continue to operate, against the assets retained by the Demerged Company.
- 3.3.9 Upon the coming into effect of the Scheme, the Resulting Company shall indemnify the Demerged Company in relation to any claim, at any time, against the Demerged Company in respect of the liabilities which have been transferred to it.
- 3.3.10 All loans raised and used, and liabilities repaid by the Demerged Company pertaining to its remaining business after the Appointed Date, but prior to the Effective Date, utilizing the surplus cash derived from the operations of Demerged Undertaking shall be discharged by the Demerged Company as may be mutually agreed.
- 3.3.11 Any claim, liability, demand or any statutory tax liability pertaining to operations of demerged undertaking up to effective date but arising any time after effective date, shall be deemed to be part of demerged undertaking and shall be borne by Resulting Company. In case the liability is incurred by the Demerged Company, then Resulting Company shall reimburse the amount to Demerged Company.

### 3.4 **SAVING OF CONCLUDED TRANSACTIONS**

Upon coming into effect of this Scheme, the transfer of all the assets and liabilities of Demerged Undertaking to the Resulting Company and the continuance of all the contracts or legal proceedings by or against the Demerged Company, in relation to the Demerged Undertaking, shall not affect any contract or proceeding relating to the said assets or the liabilities already concluded by the Demerged Company, on or after the Appointed Date till the Effective Date to the end and intent, such that the Resulting Company accepts and adopts all acts, deeds and things done, executed for and on behalf of the Demerged Undertaking by the Demerged Company, as acts, deeds and things done, executed for and on behalf of the Resulting Company.

### 3.5 **RESIDUAL UNDERTAKING**

- 3.5.1 The Residual Undertaking shall continue its business as a part of the Demerged Company.
- 3.5.2 The Residual Undertaking and all its assets, liabilities and obligations thereto, shall continue to belong to and be vested with and be managed by the Demerged Company.
- 3.5.3 All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal), by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case, relating to the Residual Undertaking (including those relating to any property, right, liability, obligation or duties of the Demerged Company) shall continue and be enforced by or against the Demerged Company after the Effective Date.
- 3.5.4 In case of any proceeding against the Resulting Company in respect of the outstanding matters referred to in Clause 3.5.3 above, shall be defended by the Resulting Company.

### 3.6 **TRANSFER AT BOOK VALUES**

All the assets, properties and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged Company at the close of business on 31<sup>st</sup> March 2012. For this purpose, any change in value of assets, consequent to their revaluation, if any, shall be ignored.

### 3.7 **CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS**

- 3.7.1 Upon the coming into effect of this scheme, subject to the other provisions of this Scheme, all contracts,



memorandum of understandings, tenders, bid documents, expressions of interest, deeds, bonds, agreements and other instruments of whatsoever nature ("Contracts") to which the Demerged Company is a party, in relation of the Demerged Undertaking, subsisting or having effect immediately before the Effective Date, shall remain in full force and effect against or in favour of the Resulting Company and may be enforced as fully and as effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.

- 3.7.2 With effect from the Appointed Date and upon the Scheme becoming effective, all permits, quotas, rights, entitlements, licenses, registrations, trademarks, patents, copyrights, privileges, powers, facilities, subsidies, rehabilitation schemes, special status and other benefits or privileges (granted by any Government body, local authority or by any other person) of every kind and description of whatsoever nature in relation to the Demerged Undertaking of the Demerged Company, or to the benefit of which the Demerged Undertaking of the Demerged Company may be entitled, or having effect immediately before the Effective Date, shall be and remain in full force and effect in favor of or against the Resulting Company, as the case may be, and may be enforced fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a beneficiary or obligee thereto.
- 3.7.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory license, permission or approval or consent required to carry on the operations of the Demerged Undertaking of the Demerged Company shall stand vested in or transferred to the Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Resulting Company. The benefit of all such statutory and regulatory permissions, licenses, approvals and consents including statutory licenses, approvals, permissions or approvals or consents required to carry on the operations of the Demerged Undertaking of the Demerged Company shall vest in and become available to the Resulting Company, pursuant to the Scheme.
- 3.7.4 The Resulting Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite agreement, confirmations or novations to which the Demerged Company will, if necessary, also be a party in order to give formal effect to the provisions of this Scheme, if it is so required or if it becomes necessary.

### **3.8 CONTINUATION OF LEGAL PROCEEDINGS**

- 3.8.1 All legal proceedings of whatever nature by or against the Demerged Company, in relation to the Demerged Undertaking, if pending, on the Effective Date, shall not abate, be discontinued or be in any way prejudicially affected by reason of the vesting of the Demerged Undertaking in the Resulting Company or of anything contained in this Scheme but the proceedings may be continued, prosecuted and enforced by or against the Resulting Company, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Demerged Company, as if this Scheme had not been made.
- 3.8.2 The Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company in relation to the Demerged Undertaking referred to in Clause 3.8.1 above, transferred in its name and to have the same continued, prosecuted and enforced by or against the Resulting Company.

### **3.9 STAFF, WORKMEN AND EMPLOYEES OF DEMERGED UNDERTAKING**

- 3.9.1 Upon the Scheme becoming effective, all the staff, workmen and other employees engaged in the Demerged Undertaking of the Demerged Company, if any, immediately before Effective Date shall become the staff, workmen and employees of the Resulting Company on the basis that:
- i. their service should have been continuous and should not have been interrupted by reason of the demerger; and
  - ii. the terms and conditions of service applicable to the said staff, workmen or employees after such transfer, shall not in any way be less favorable to them than those applicable to them immediately before the transfer;
- 3.9.2 Further, it is expressly provided that, on the Scheme becoming effective, the existing provident fund, gratuity fund, superannuation fund and any other special fund and/or schemes and trusts (collectively referred to as "Funds"), if any, created or existing for the benefits of the employees of the Resulting Company, for all purposes whatsoever in relation to the administration or operation of such funds/trusts/schemes or in relation to the obligation to make contributions to the said funds/trusts/schemes in accordance with the provisions thereof as per the terms provided in the agreements/deeds governing such funds/trusts/schemes, if any, to the end and intent that all rights, duties, powers and obligations of the Demerged Company in relation to such funds/trusts/schemes shall become those of the Resulting Company. It is clarified that the services of the employees of the Resulting Company will be treated as having been continuous for the purpose of the said funds/trusts/schemes.

### PART III

#### 4. ALTERATION TO THE MEMORANDUM OF ASSOCIATION

- 4.1 On this Scheme becoming operative, the Authorized Share Capital of the Resulting Company shall increase to Rs. 27,00,00,000 (Rupees Twenty Seven Crores) in terms of its Memorandum of Association. The Resulting Company shall take necessary steps to increase and alter its Authorized Share Capital. Consequently, Clause "V" of the Memorandum of Association of the Resulting Company (relating to the Authorized Share Capital) shall without any further act, instrument or deed, be and stand altered, modified and amended and no separate resolutions under Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, shall be required to be adopted for effecting such modification and the capital clause being Clause V of the Memorandum of Association of the Transferee Company shall on the Effective Date stand substituted to read as follows:-

***"V. The Authorised Share Capital of the Company is Rs. 27,00,00,000 (Rupees Twenty Seven Crores) divided into 2,70,00,000 (Two Crore Seventy Lacs) Equity Shares of Rs. 10 (Rupees Ten) each"***

- 4.2 The approval of the Scheme by the shareholders of the Resulting Company and the Hon'ble High Court or any other appropriate authority, shall be deemed to be in due compliance with the provisions of Section 31 and other relevant and applicable provisions, if any, of the Act, for change in the Articles of Association of the Resulting Company, as provided in this Scheme. Further, the Resulting Company agrees to undertake steps, if any required to give effect to the amendment as above in the Articles of Association of the Resulting Company in the records of the Registrar of Companies, NCT of Delhi or any other appropriate authority.

#### 5. RE-ORGANIZATION OF SHARE CAPITAL OF THE RESULTING COMPANY

- 5.1 After the Scheme comes into effect, in consideration of the demerger including the transfer and vesting of the Demerged Undertaking in the Resulting Company, pursuant to Part II of this Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each member of the Demerged Company whose names are recorded in the register of members of the Demerged Company on the Record date, equity shares in the Resulting Company and the share capital of the Resulting Company shall be restructured and reorganized in the manner set out herein below:

***"Upon the coming into effect of the Scheme of Arrangement, pursuant to Part II of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each shareholder of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record date, the equity shares of the Resulting Company in the Share Entitlement Ratio of 6 Equity Share in the Resulting Company of Rs.10/- credited as fully paid up for every 5 Equity Shares of Rs10 /- each fully paid up held by such shareholder in the Demerged Company. The Equity Shares so issued and allotted, shall rank pari passu in all respects with the existing Equity Shares of the Resulting Company".***

- 5.2 Upon coming into effect of this Scheme, the reduction of Share Premium of the Demerged Company, shall form an integral part of the Scheme and the approval to the Scheme by the Shareholders and the Creditors of the Demerged Company, shall be deemed to be their consent under the provisions of Section 100 and any other applicable provisions of the Act, to such reduction of capital of the Demerged Company and the Demerged Company shall not be required to convene any separate meeting for that purpose. The order of the Hon'ble High Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act.
- 5.3 In case any Shareholder's holding in the Demerged Company is such that the shareholder becomes entitled to a fraction of an equity share of the Resulting Company, the Resulting Company shall consolidate such fractions and issue consolidated equity shares to Directors/Promoters/officers of the Resulting Company as the Board of Directors of Resulting company shall deem fit, who shall sell the same in the market after they are listed at the available price and pay the net proceed (after deduction of the expenses incurred) to the Resulting Company, whereupon the Resulting Company shall distribute the net sale proceeds to the shareholders respectively, entitled to the same, in proportion to their respective fractional entitlements in Resulting Company.
- 5.4 Upon the Scheme coming into effect, the issue and allotment of the shares as provided in this Scheme shall be carried out in accordance with the provisions of the Act. Each of the shareholders of the Demerged Company holding shares in physical form shall have the option, exercisable by notice, in writing by them to the Resulting Company on or before the Record Date, to receive the shares of the Resulting Company, either in certificate form or in dematerialized form, in lieu of their shares in the Demerged Company in accordance with the terms hereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares of the Resulting Company shall be issued to such members in physical form. Those of the members of the

Demerged Company who exercise the option to receive the shares in dematerialized form, shall be required to have an account with a depository participant and shall provide full details thereof and such other confirmations as may be required in the notice provided by such shareholders to the Resulting Company. It is only thereupon that the Resulting Company shall issue and directly credit the demat/dematerialized securities account of such member with the shares of the Resulting Company.

- 5.5 Upon the Scheme coming into effect, the members of the Demerged Company holding shares of the Demerged Company in dematerialized form shall have the option, exercisable by a notice in writing by them to the Resulting Company on or prior to the Record Date, to receive the shares of the Resulting Company either in certificate form or in dematerialized form, in lieu of their shares in the Demerged Company in accordance with the terms hereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares of the Resulting Company shall be issued to such members in dematerialized form as per the records maintained by the National Securities Depository Limited and / or Central Depository Services (India) Limited in terms of Clause 5.1 above.
- 5.6 Upon the coming into effect of this Scheme, the issue and allotment of new equity shares in the Resulting Company to the Shareholders of the Demerged Company as provided in this Scheme, shall be deemed to have been carried out in compliance with the procedure laid down under applicable provisions, if any, of the Act and it is clarified that no separate approvals shall be obtained by the Resulting Company in this regard.
- 5.7 For the purpose aforesaid, the Resulting Company shall, if and to the extent required, apply for and obtain any approvals including that of Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the Resulting Company of New Equity Shares to the members of the Demerged Company.
- 5.8 The entire Equity Share Capital of the Resulting Company including the New Equity Shares issued in terms hereof shall, subject to payment of the appropriate fee and approval of the respective stock exchange(s), be listed on recognized stock exchange(s) in India, where the shares of the Demerged Company are already listed.
- 5.9 The New Equity Shares in the Resulting Company allotted pursuant to the Scheme shall remain frozen in the depositories system till listing / trading permission is given by the designated stock exchanges.
- 5.10 There shall be no change in the shareholding pattern or control in the Resulting Company between the Record Date and the listing in the designated stock exchanges.
- 5.11 Upon coming into effect of this Scheme and pursuant to the allotment of shares by the Resulting Company in terms of Clause 5.1 above, the existing share premium account of the Demerged Company, amounting to Rs. 2,778,164,164/- shall be reduced to Rs. 1,710,389,823 /- shall be cancelled, forming an integral part of this Scheme, in accordance with provisions of sections 100 to 103 of the Act and order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under section 102 of the Act, for the purpose of confirming the reduction in the share premium of the Demerged Company. The reduction in the share premium of the Demerged Company, shall not involve any diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable in respect thereof.
- 5.12 Upon coming into effect of this Scheme, no special resolution under section 81(1A) of the Act, shall be required to be passed by the Resulting Company separately in a General Meeting for issue of shares to the shareholders of the Demerged Company under the Scheme and upon the members of the Resulting Company approving the Scheme, it shall be deemed that they have given their consent to the issue of shares of the Resulting Company to the shareholders of the Demerged Company on the basis of the Share Entitlement Ratio.
- 5.13 Upon coming into effect of this Scheme, where shares are to be allotted under this Clause to the heirs, executors or administrators or, as the case may be, to the successors of the deceased equity shareholders of the Demerged Company, the concerned heirs, executors or administrators or, as the case may be, the successors shall be obliged to produce evidence of title satisfactory to the Board of Directors of the Resulting Company.
- 5.14 The shares proposed to be allotted pursuant to the Scheme shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Resulting Company and shall rank *pari pasu* with the existing shares of the Resulting Company, including the rights in respect of dividend and bonus shares, if declared by the Resulting Company on or after the Effective Date as specified in Clause 8.

## PART IV

### 6. GENERAL TERMS AND CONDITIONS

#### 6.1 CONDUCT OF THE BUSINESS AS AND FROM THE APPOINTED DATE TILL EFFECTIVE DATE

6.1.1 The Demerged Company in relation to the Demerged Undertaking, undertakes to preserve and carry on the business, with reasonable diligence and business prudence and shall not undertake financial commitments or sell, transfer, alienate, charge, mortgage, or encumber or otherwise deal with or dispose of any of properties, assets and liabilities in relation to the Demerged Undertaking or any part thereof save and except in each case:

- a. if the same is in its ordinary course of business; or
- b. if the same is expressly permitted by this Scheme; or
- c. if the prior written consent of the Board of Directors of the Resulting Company has been obtained.

6.1.2 The Demerged Company with effect from the Appointed Date and up to and including the Effective Date:

- i. Shall carry on and shall be deemed to have carried on all its business and activities as hitherto and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Demerged Company in relation to the Demerged Undertaking on account of, and for the benefit of and in trust for the Resulting Company.
- ii. All the profits or incomes accruing or arising to the Demerged Company in relation to the Demerged Undertaking, or expenditure or losses arising or incurred (including but not limited to the effect of advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country, etc.), thereon by the Demerged Company in relation to the Demerged Undertaking shall, for all purposes, be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses or effect of taxes as the case may be, of the Resulting Company.
- iii. Any of the rights, powers, authorities, privileges, attached, related or pertaining to or exercised by the Demerged Company, in respect of the Demerged Undertaking, shall be deemed to have been exercised by the Demerged Company, for and on behalf of, and in trust for and as an agent of the Resulting Company. Similarly, any of the obligations, duties, commitments attached, related or pertaining to the Demerged Company that have been undertaken or discharged by the Demerged Company, shall be deemed to have been undertaken for and on behalf of and in trust for and as an agent for the Resulting Company.

From the Appointed Date until the coming into effect on the Effective Date of this Scheme, the Demerged Company shall not make any change in its capital structure either by any increase, (by issue of equity shares on a rights basis, bonus shares, convertible debentures or otherwise) or by decreasing, reducing, re-classification, sub-division or consolidation, re-organization, or in any other manner which may, in any way, affect the Share Entitlement Ratio (as provided in clause 5.1 above), except by mutual consent of the respective Board of Directors of the Demerged Company and the Resulting Company or as may be expressly permitted under this Scheme or as may be required to give effect to the Scheme.

6.1.3 As and from the Appointed Date and till the Effective Date:

- i. All assets and properties which are acquired by the Demerged Company in relation to the Demerged Undertaking, on or after the Appointed Date, in accordance with the Scheme, shall be deemed to be the assets and properties of the Resulting Company.
- ii. All debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations which arise or accrue to the Demerged Company in relation to the Demerged Undertaking, on or after the Appointed Date in accordance with this Scheme, shall be deemed to be debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations of the Resulting Company.

6.1.4 Any issue as to whether any asset or liability pertains to Demerged Undertaking or not shall be decided by the Board of Directors of the Demerged Company and the Resulting Company, either by themselves or through a Committee appointed by them in this behalf, on the basis of such evidence as they may deem relevant (including the books and records of the Demerged Company).

6.1.5 The Demerged Company and the Resulting Company shall make and/or revise their income tax returns and related TDS certificates and shall have the right to claim refund, advance tax credits, Fringe Benefit Tax Credits, etc. separately, on the Scheme becoming effective as on the Effective Date.

- 6.1.6 Since each of the permissions, approvals, consents, sanctions, remissions, special reservations, holidays, incentives, concessions and other authorizations in relation to the Demerged Undertaking of the Demerged Company, shall stand transferred by the order of the Hon'ble High Court to the Resulting Company, the Resulting Company shall file the relevant intimations, for the record of the statutory authorities who shall take them on file, pursuant to the vesting orders of the said Court.
- 6.1.7 For the purpose of giving effect to the vesting order passed under Sections 391 and 394 of the Act in respect of this Scheme, the Resulting Company shall at any time pursuant to the orders on this Scheme be entitled to get the record of the change in the title and appurtenant legal right(s) upon the vesting of such assets of the Demerged Undertaking of the Demerged Company in the Resulting Company in accordance with the provisions of Sections 391 and 394 of the Act. Upon the Scheme becoming effective and with effect from the Appointed Date, the filing of certified copies of the order of Hon'ble High Court sanctioning this Scheme shall constitute a creation / modification of charge in the name of the Resulting Company in accordance with the provisions of Section 127 of the Act and satisfaction of charge in respect of the Demerged Company in accordance with Section 138 of the Act, if there are any existing charges attaching to the Demerged Undertaking.
- 6.1.8 With effect from the Effective Date, the Resulting Company shall commence and carry on and shall be authorized to carry on the business of the Demerged Undertaking of the Demerged Company.
- 6.1.9 The Resulting Company shall not vary terms and conditions of service of its employees except in the ordinary course of its business.

## **7. ACCOUNTING TREATMENT**

### **7.1 Treatment in the books of Demerged Company**

- 7.1.1 Upon coming into effect of the Scheme, the Demerged Company shall give effect to the following accounting treatment as at the Appointed Date:
- i. The Demerged Company shall upon the Scheme becoming effective, record the deletion of the assets and liabilities of the Demerged Undertaking transferred to and vesting in the Resulting Company, pursuant to this Scheme at their respective book values as appearing in its books as at the close of business of a day (i.e. 31<sup>st</sup> March, 2012), immediately preceding the Appointed Date.
  - ii. The difference between the book value of the assets (net of diminution/depreciation, if any) and the book value of the liabilities of the Demerged Company that is transferred to the Resulting Company pursuant to the Scheme, if any, would be debited to the Share Premium Account in accordance with the provisions of Section 100 of the Act and the balance, if remaining thereafter, would be adjusted against the General Reserve Account.
  - iii. The application and consequential reduction of Share Premium Account, as per sub-clause (ii) above, shall form an integral part of the Scheme itself, as the same does not involve any diminution of liability in respect of unpaid Share Capital or payment, to any shareholder of paid-up Share Capital and the order of the Hon'ble High Court sanctioning the Scheme, shall be deemed to be an order under Section 102 of the Act, confirming the reduction in the Share Premium Account of the Demerged Company.

### **7.2 Treatment in the books of Resulting Company**

- 7.2.1 Upon coming into effect of the Scheme, the Resulting Company shall follow the accounting treatment laid down as under, at the Appointed Date:
- i. The Resulting Company shall, record the assets and liabilities (difference between the assets and liabilities hereinafter referred to as "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of the Demerged Company, at the close of business of the day immediately preceding the Appointed Date;
  - ii. The Resulting Company shall credit to its Share Capital Account in its books of accounts, the aggregate face value of the new equity shares issued by it to the members of the Demerged Company pursuant to Clause 5.1 of this Scheme.
  - iii. The difference between the Net Asset and amount credited to the Share Capital account shall be credited in to "Capital Reserve Account".

## **8. DIVIDENDS, PROFITS, BONUS/RIGHTS SHARES**

- 8.1 The Demerged Company shall not utilize the profits or income of Demerged Undertaking, if any, for the purpose of declaring or paying any dividend (whether interim or final) or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of the Resulting Company.
- 8.2 The Resulting Company shall not issue or allot, after the Appointed Date or the date of this Scheme being approved by the Board of Directors, whichever is later, any rights shares, bonus shares, etc. without the prior consent of the Board of Directors of the demerged Company.
- 8.3 The demerged Company shall not issue or allot, after the Appointed Date or the date of this Scheme being approved by the Board of Directors, whichever is later, any rights shares, bonus shares, etc. without the prior consent of the Board of Directors of the Resulting Company.
- 8.4 The Demerged Company in relation to the profits or income of Residual Undertaking and the Resulting Company shall be entitled to declare and pay dividends, whether interim or final, to their respective equity shareholders prior to the Effective Date, provided that the equity shareholders of the Demerged Company shall not be entitled to dividend, if any, declared and paid by the Resulting Company to its equity shareholders prior to the Effective Date.
- 8.5 The holders of the equity shares of the Demerged Company and the Resulting Company shall, save as expressly provided otherwise in the Scheme continue to enjoy their existing rights under their respective Articles of Association including the right to receive dividends.
- 8.6 It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of the Demerged Company and/or the Resulting Company to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the Boards of Directors of each of the Demerged and the Resulting Company and subject, wherever necessary, to the approval of the shareholders of the Demerged Company and Resulting Company respectively.

## **9. TRANSFER OF THE DEMERGED UNDERTAKING OF THE DEMERGED COMPANY**

On the scheme becoming effective, the Demerged Undertaking of the Demerged Company shall be transferred without any further act, deed or instrument, and shall be merged into the Resulting Company.

## **10. TREATMENT OF TAXES**

Any tax liabilities under the Income Tax Act or other applicable laws or regulations allocable to the Demerged Company, in relation to Demerged Undertaking, to the extent not provided for or covered by any tax provision in the accounts of the Demerged Company made as on the date immediately preceding the Appointed Date, shall be transferred to the Resulting Company. Any surplus in the provision for taxation or duties or levies in the accounts of the Demerged Company in relation to Demerged Undertaking, including advance tax and tax deducted at source as on the close of business in India on 31<sup>st</sup> March, 2012, will also be transferred to the account of the Resulting Company.

## **11. APPLICATION TO HON'BLE HIGH COURT**

The Demerged Company on behalf of its Demerged Undertaking and the Resulting Company shall make necessary applications under the provisions of Sections 391 to 394 and other applicable provisions, if any, of the Act to the Hon'ble High Court of Delhi for sanction of this Scheme and for the consequent transfer of the Demerged Undertaking to the Resulting Company and its subsequent merger thereof.

## **12. SCHEME CONDITIONAL UPON AND SUBJECT TO**

- 12.1 The Scheme being agreed to by the respective requisite majorities of the members, secured and unsecured creditors of both, the Demerged Company and the Resulting Company, as may be required by the Hon'ble High Court either at a meeting or through consent/ No-objection Letters on the application made for directions under Section 391 of the Act for calling/ dispensing of the meetings and necessary resolution if any, to be passed under the Act for the purpose of the Scheme.
- 12.2 Sanction of the Hon'ble High Court under section 391 and 394 of the Act and necessary order or orders under section 394 of the Act being obtained.
- 12.3 Such other sanction and approvals as may be required by law in respect of the Scheme being obtained.

12.4 This Scheme, although to come into operation from the Appointed Date, shall not become effective until the date on which the certified copies of the orders of the Hon'ble High Court under Sections 391 and 394 of the Act are duly filed with the offices of the respective Registrar of Companies, where both the Demerged Company and the Resulting Company registered.

**13. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

In the event of the Scheme not being sanctioned by the Court and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and in that event, no rights and liabilities shall, inter se, accrue between the parties in terms of the Scheme, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law. Each party shall bear and pay its respective costs, charges and expenses for and/or in connection with the Scheme.

**14. OPERATIVE DATE OF THE SCHEME**

This Scheme of Arrangement shall be operative with effect from the Appointed Date but shall be effective from the Effective Date.

## PART V

### OTHER TERMS AND CONDITIONS

#### 15. APPROVALS AND MODIFICATIONS

##### 15.1 MODIFICATION OR AMENDMENT TO THE SCHEME

15.1.1 Demerged Company and the Resulting Company may assent from time to time on behalf of all persons concerned to any modifications or amendments or additions to this Scheme or to any conditions or limitations which either the Board of Directors or a committee or committees of the concerned Board of Directors authorized in that behalf by the concerned Board of Directors (hereinafter referred to as the "Delegates") of the Demerged Company in relation to the Demerged Undertaking and the Resulting Company deem fit, or which the Hon'ble High Court or any other authorities under law may deem fit to approve of or impose and which the Demerged Company in respect of the Demerged Undertaking and the Resulting Company may in their discretion deem fit and to resolve all doubts or difficulties that may arise for carrying out this Scheme and to do and execute all acts, deeds, matters and things necessary for bringing this Scheme into effect, or to review the position relating to the satisfaction of the conditions to this Scheme and if necessary, to waive any of those (to the extent permissible under law) for bringing this Scheme into effect.

15.1.2 In the event that Demerged Company and the Resulting Company may find any of the modifications or conditions which may be imposed by the Hon'ble High Court or other authorities unacceptable for any reason, then the Demerged Company and the Resulting Company are at liberty to withdraw the Scheme. The aforesaid powers of the Demerged Company and the Resulting Company may be exercised by the Delegates of the respective Companies.

15.1.3 For the purpose of giving effect to this Scheme or to any modifications or amendments thereof or additions thereto, the Demerged Company and the Resulting Company or their Delegates may give and are authorized to determine and give all such directions as may be necessary including directions for settling or removing any question of doubt or difficulty that may arise and such determination or directions, as the case may be, shall be binding on all parties, in the same manner as if the same were specifically incorporated in this Scheme.

##### 15.2 CONSENT OF MEMBERS AND DIRECTORS

15.2.1 On the approval of the scheme by the members of the Demerged Company and the Resulting Company, pursuant to section 391 of the Act, it shall be deemed that the said members have also accorded all relevant consents under section 31 and any other provisions of the Act to the extent the same may be considered applicable.

15.2.2 The directors of each of the Demerged Company and the Resulting Company may be deemed to be concerned and/or interested in the scheme to the extent of their shareholding in the Company, or to the extent the said directors are common directors in the Company, or to the extent the said directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust, that hold shares in the company.

##### 15.3 COST, CHARGES & EXPENSES

15.3.1 All costs, charges and expenses, including any taxes and duties of the Demerged Company in respect of the Demerged Undertaking and the Resulting Company respectively, in relation to or in connection with this Scheme and incidental to the completion and implementation of this Scheme of Arrangement of the Demerged Company and the Resulting Company in pursuance of this Scheme shall be borne and paid as mutually agreed between the Resulting Company and the Demerged Company.

15.3.2 The Demerged Company and the Resulting Company shall also take all such other steps as may be necessary or expedient to give full and formal effect to and implement the provisions of this Scheme.

15.3.3 In the event of non-fulfillment of any or all obligations under this Scheme by any party towards any other party, *inter-se* or to third parties and non-performance of which will place the other party under any obligation, then such defaulting party will indemnify all costs and interest to such other affected party.



## FORM OF PROXY

I/We \_\_\_\_\_ the undersigned, Secured Creditor(s) of Pearl Global Industries Limited Applicant No. 1/Transferor Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ and failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy, to act for me /us at the meeting of the Secured Creditors of the Pearl Global Industries Limited to be held on Friday, the 04<sup>th</sup> day of October, 2013 at 12:30 P. M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi, for the purpose of considering and, if thought fit, approving, with or without modification(s), the proposed Scheme of Arrangement by and between Pearl Global Industries Limited and PDS Multinational Fashions Limited, and their respective shareholders and creditors at such meeting and any adjournment(s) thereof, to vote, for me/us and in my/our name(s) \_\_\_\_\_ (here "if for" insert "for", "if against" insert "against" and in the latter case strike out the words appearing after "Scheme of Arrangement") the said Scheme of Arrangement either with or without modifications as my/our proxy may approve.

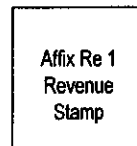
Dated this \_\_\_\_ day of \_\_\_\_\_ 2013

Signature .....

Name : .....

Address: .....

.....



### Notes:

1. The Proxy should be deposited at the Registered Office of at A-3, Community Centre, Naraina Industrial Area, Phase – II, New Delhi - 110028, not less than 48 hours before the commencement of the meeting.
2. In case of multiple Proxies, Proxy later in time shall be accepted.
3. All alterations made in the Form of Proxy should be initialed.

## ATTENDANCE SLIP

**(PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE REGISTRATION COUNTER FOR ISSUING GATEPASS FOR ENTERING THE MEETING HALL)**

I/We hereby record my / our presence at the Court convened meeting of the Secured Creditors of Pearl Global Industries Limited, Applicant No. 1/Transferor Company, to be held on Friday, the 04<sup>th</sup> October, 2013 at 12:30 P.M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi, for the purpose of considering and, if thought fit, approving, with or without modifications the proposed Scheme of Arrangement by and between Pearl Global Industries Limited and PDS Multinational Fashions Limited and their respective Shareholders and Creditors, at such meeting and any adjournment(s) thereof.

Signature .....

Name : .....

Address: .....

### Notes:

1. Secured Creditors / proxy holders are requested to bring the original Attendance Slip duly filled with them when they come to the meeting venue and hand it over at the Registration Counter.
2. Incomplete attendance slips shall not be accepted for issuing the gate pass for entry in the meeting hall.
3. Secured Creditor / proxy to bring in proof of identification (like voter ID card, passport, driving license, adhar card) in original and a photocopy and the Authorisation letter.