



KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

Enriching Lives

COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS

AND

POSTAL BALLOT AND E-VOTING COURT CONVENED MEETING

COURT CONVENED MEETING:

Day	Wednesday
Date	18 February 2015
Time	2.00 p.m.
Venue	S. M. Joshi Socialist Foundation (S.M. Joshi Hall), S. No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030.

POSTAL BALLOT AND E-VOTING:

Start Date	15 January 2015
Last Date	13 February 2015

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**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY SUMMONS FOR DIRECTION NO. 934 OF 2014.**

In the matter of the Companies Act, I of 1956.

AND

**In the matter of Sections 391 to 394 read with Section
100 to 105 of the Companies Act, 1956.**

AND

**In the matter of the Composite Scheme of Arrangement
and Amalgamation between Kirloskar Brothers
Investments Limited and Pneumatic Holdings Limited
and Kirloskar Oil Engines Limited and their respective
shareholders and creditors.**

Kirloskar Oil Engines Limited,)
a Company incorporated under the)
Companies Act, 1956 and having its)
Registered Office, at Laxmanrao)
Kirloskar Road, Khadki,Pune 411 003.) APPLICANT

NOTICE CONVENING MEETING OF EQUITY SHAREHOLDERS

To,
The Equity Shareholders of Kirloskar Oil Engines Limited, the Applicant Company:

TAKE NOTICE that by an Order made on the 19th day of December, 2014 in the above Company Summons for Direction, the Hon'ble High Court of Judicature at Bombay has directed that a meeting of the Equity Shareholders of the Applicant Company be convened and held at S. M. Joshi Socialist Foundation (S.M. Joshi Hall), S. No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030 on Wednesday, the 18th day of February, 2015 at 2.00 p.m. for the purpose of considering, and, if thought fit, approving with or without modification(s), the proposed Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors. In the said meeting the following business will be transacted:

To consider and if thought fit, approve with or without modification(s), the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors.

“RESOLVED THAT pursuant to the provisions of Sections 391 to 394 read with Section 100 to 105 and other applicable provisions of the Companies Act, 1956, and the Companies Act, 2013, if any and subject to approval of the Hon'ble High Court of Judicature at Bombay, the Composite Scheme of Arrangement and Amalgamation (**“the Scheme”**) between Kirloskar Brothers Investments Limited (Transferor / Demerged Company), Pneumatic Holdings Limited (Resulting Company) and Kirloskar Oil Engines Limited (Transferee Company) and their respective shareholders and creditors, as circulated along with the notice of the meeting, a copy of which is placed before the meeting and for the purpose of identification signed by the Chairman thereof, be and is hereby approved and agreed to without any modification.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall deem to include any committee or any person(s) which the Board may nominate or constitute to exercise its powers, including the powers conferred under above resolutions be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any questions or difficulties that may arise with regard to the implementation of the above resolution, including passing of such accounting entries and/or making such adjustments in the books of accounts as considered necessary to give effect to the above resolutions or to carry out such modifications/ directions as may be ordered by the Hon'ble High Court of Judicature at Bombay to implement the aforesaid resolution.”

TAKE FURTHER NOTICE that in pursuance of the said Order and as directed therein, a meeting of the Equity Shareholders of the Applicant Company will be held at S. M. Joshi Socialist Foundation (S.M. Joshi Hall), S. No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030 on Wednesday, the 18th day of February, 2015 at 2.00 pm at which place, day, date and time you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by proxy, provided that a proxy in the prescribed form, duly signed by you, or your authorised representative is deposited at the Registered Office of the Applicant Company at Laxmanrao Kirloskar Road, Khadki, Pune - 411 003 not later than 48 hours before the meeting.

The High Court has appointed Mr. Atul C. Kirloskar, Executive Chairman and failing him Mr. Rahul C. Kirloskar, Non-Executive Director and failing him Mr. Nihal G. Kulkarni, Managing Director to be the Chairman of the said meeting.

A copy each of the Scheme, the Statement under Section 393 of the Companies Act, 1956, the fairness opinion report, the complaints report, the observation letters issued by the BSE Limited and the National Stock Exchange of India Limited, the Form of the proxy and the Attendance Slip are enclosed herewith.

Sd/-
Atul C. Kirloskar
Chairman Appointed for the meeting

Dated this 29th day of December, 2014.

Registered Office:

Laxmanrao Kirloskar Road, Khadki,
Pune - 411 003.
CIN: L29120PN2009PLC133351
Ph. No. 020 - 25810341, Fax : 020 - 2581 3208
Website: www.koel.co.in
E-mail: investors@kirloskar.com

Notes:

- 1) Only Registered Equity Shareholders of the Applicant Company may attend and vote (either in person or by proxy or by authorized representative under applicable provisions of Companies Act, 1956 and Companies Act, 2013) at the Equity Shareholders' meeting.
- 2) An equity shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such Proxy need not be an equity shareholder of the Applicant Company. The Form of Proxy duly completed should, however be deposited at the Registered Office of the Applicant Company not less than 48 hours before the scheduled commencement time of the said meeting.
- 3) All alterations in the form of proxy should be initialed.
- 4) The authorised representative of a body corporate which is a registered Equity Shareholder of the Applicant Company may attend and vote at the Equity Shareholders' meeting provided a certified true copy of the resolution of the board of directors or other governing body of the body corporate authorising such a representative to attend and vote at the Equity Shareholders' meeting is deposited at the registered office of the Applicant Company.
- 5) A registered equity shareholder or his Proxy is requested to bring copy of the notice to the meeting and produce at the entrance of the meeting venue, the attendance slip duly completed and signed.
- 6) Registered Equity Shareholders who hold shares in dematerialised form are requested to bring their Client ID and DP ID for easy identification of the attendance at the meeting.
- 7) Registered equity shareholders are informed that in case of joint holders attending the meeting, only such joint holder whose name stands first in the Register of Members of the Applicant Company in respect of such joint holding will be entitled to vote and in his/her absence by the next named member of the Applicant Company in respect of such joint holding will be entitled to vote.

Enclosure : As above



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KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

NOTICE OF POSTAL BALLOT AND E-VOTING TO EQUITY SHAREHOLDERS OF THE COMPANY

Notice pursuant to Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 ("the Rules") and circulars bearing No. CIR/CFD/DIL/5/2013 dated 4 February 2013, CIR/CFD/DIL/8/2013 dated 21 May 2013 and CIR/CFD/POLICYCELL/2/2014 dated 17 April 2014, issued by Securities and Exchange Board of India ("SEBI Circulars")

To,
The Equity Shareholders of Kirloskar Oil Engines Limited ("Company" or "Transferee Company")

The Audit Committee and the Board of Directors of the Company at their respective meetings held on 2 September 2014, unanimously have approved a proposal to amalgamate Residual undertaking of Kirloskar Brothers Investments Limited with the Company pursuant to a proposed Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited (Transferor / Demerged Company), Pneumatic Holdings Limited (Resulting Company) and the Company (Transferee Company) and their respective shareholders and creditors ("Scheme") under sections 391 to 394 and other applicable provisions, if any, of the Companies Act, 1956 / Companies Act, 2013.

The Hon'ble High Court of Judicature at Bombay in the Company Summons for Direction No. 934 of 2014 directed the Company to convene and conduct a meeting of the Equity Shareholders on 18 February 2015 at 2.00 p.m. at S. M. Joshi Socialist Foundation (S.M. Joshi Hall), S. No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030. In addition to the Court Convened Meeting, the SEBI circulars provide that, the Scheme shall be acted upon only if the votes cast by the Public Shareholders (i.e. shareholders other than Promoter and Promoters Group shareholders) in favour of proposal are more than the number of votes cast by the Public Shareholders against it through Postal Ballot and E-voting.

The Company accordingly seeks the consent of the shareholders for the aforesaid proposal as per draft resolution appended below, which is proposed to be passed by way of postal ballot and E-voting as per SEBI circulars. The Explanatory Statement pertaining to the said resolution setting out the material facts and the reasons thereof is annexed hereto.

The Company has also received observation letter from BSE Limited and National Stock Exchange of India Limited on 3 December 2014 and 4 December 2014, respectively.

The Board of Directors has appointed Mr. Mahesh Athavale, a Practicing Company Secretary as the Scrutinizer to conduct the Postal Ballot and e-voting process in a fair and transparent manner.

We request you to communicate your assent or dissent by returning duly filled in and signed the enclosed postal ballot form in attached self- addressed & postage pre-paid (if posted from India) envelope, so as to reach the Scrutinizer on or before 6.00 p.m. on Friday, 13 February 2015. The reply received after the said date shall be treated as if reply from the shareholder has not been received.

The shareholders are also requested to note that the draft resolution set out in this notice may also be voted upon through E-voting and the Company has entered into an agreement with National Securities Depository Limited to provide the shareholders the platform to vote electronically (E-voting) instead of in the physical mode. The shareholders desirous of exercising their vote electronically are requested to read the instructions printed under the notes. The shareholders who wish to exercise their vote using postal ballot form are requested to carefully go through the instructions printed overleaf the enclosed postal ballot form.

Upon completion of the scrutiny of the Postal Ballot forms and E-voting, the Scrutinizer will submit his report to the Chairman of the Company. The result of the Postal Ballot and E-Voting will be announced by the Company on 17 February 2015 at 2.00 p.m. at Registered Office of the Company and by placing the same along with the Scrutinizer's report on the website of the Company at www.koel.co.in for information of the members, besides being communicated to BSE Limited and National Stock Exchange of India Limited on which the shares of the Company are listed.

A Member can opt for only one mode of voting i.e. either through E-voting or by the Physical Postal Ballot. If a Member casts votes by both modes, then voting done through E-voting shall prevail and the Postal Ballot Form shall be treated as invalid.

— 5 —

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003.

Tel.: +91 (20) 2581 0341 Fax : +91 (20) 2581 3208 Email : investors@kirloskar.com Website : www.koel.co.in
CIN: L29120PN2009PLC133351

DRAFT ORDINARY RESOLUTION

Approval for the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors.

To consider and if thought fit to pass, with or without modification the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 391 to 394 read with section 100 to 105 and other applicable provisions of the Companies Act, 1956, and the Companies Act, 2013, if any and subject to the approval of the Hon'ble High Court of Judicature at Bombay, the Composite Scheme of Arrangement and Amalgamation (“the Scheme”) between Kirloskar Brothers Investments Limited (Transferor / Demerged Company), Pneumatic Holdings Limited (Resulting Company) and Kirloskar Oil Engines Limited (Transferee Company) and their respective shareholders and creditors, as circulated along with the notice of the meeting, be and is hereby approved including any such modifications which may be required, imposed or ordered by the Hon'ble High Court of Judicature at Bombay or by the shareholders and creditors or by Regional Director or by any authorities under any law, or as may be required for the purpose of resolving any doubts or difficulties that may arise in implementing the Scheme.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall deem to include any committee or any person(s) which the Board may nominate or constitute to exercise its powers, including the powers conferred under above resolution be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any questions or difficulties that may arise with regard to the implementation of the Scheme, including passing of such accounting entries and/or making such adjustments in the books of accounts as considered necessary to give effect to the Scheme or to carry out such modifications/ directions as may be ordered by the Hon'ble High Court of Judicature at Bombay or any other authority under any law to implement the Scheme.”

**By Order of the Board of Directors
For Kirloskar Oil Engines Limited**

**Sd/-
Smita Raichurkar
Asst. Company Secretary**

Pune: 29 December 2014

Notes:

1. Consideration and approval of the Public Shareholders by Postal Ballot is sought to the above Resolution.
2. An Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013 read with section 110 of the Companies Act, 2013, is annexed hereto. The said Resolution and Explanatory Statement along with Postal Ballot Form are being sent to you for your consideration.
3. **Voting through electronic means**
 - I. Pursuant to provisions of Section 108 of the Companies Act, 2013 read with the rules made thereunder, SEBI Circulars and Clause 35B of the Listing Agreement, the Company is providing facility of e-voting system to the members holding shares as on 2 January 2015 being cut-off date (record date), to exercise their right to vote on business to be transacted by postal ballot. The Company has engaged National Securities Depository Limited (NSDL) to provide e-voting facility.

The instructions for Voting through electronic means are as under:

- A. **In case a Member receives an email from NSDL** [for members whose email IDs are registered with the Company / R & T Agent viz. Link Intime India Private Limited / Depository Participant (s)]:
 1. Open email and open PDF file viz. “**KOEL e-Voting.pdf**” with your Folio no. / Client ID as password. The said PDF file contains your User ID and password/PIN for e-voting. Please note that the password is an initial password.
 2. Open internet browser and type URL viz. **https://www.evoting.nsdl.com**
 3. Click on Shareholder-Login
 4. Insert 'USER ID' and 'Initial Password' as noted in Step 1 above and click 'Login'.
 5. The Password Change Menu will appear on your screen. Change to a new Password of your choice making sure that, it contains a minimum of 8 digits or characters or combination of the two. Please take utmost care to keep your Password confidential.

6. Once e-Voting home page opens, Click on e-Voting > Active Voting Cycles.
 7. Select the EVEN (E-Voting Event Number) of Kirloskar Oil Engines Limited.
 8. Now you are ready for e-voting as 'the Cast Vote' page opens.
 9. Cast your vote by selecting appropriate option and click Submit and also Confirm when prompted.
 10. Upon confirmation, the message 'Vote cast successfully' will be displayed. Please note that once your vote is cast on selected resolution, it cannot be modified.
 11. Institutional shareholders (i.e. members other than individuals, HUF, NRIs etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature (s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at mahesh.athavale@kanjcs.com with a copy marked to evoting@nsdl.co.in
- B. In case a Member receives physical copy of the Notice of Postal Ballot** [for members whose email IDs are not registered with the Company / R & T Agent viz. Link Intime India Private Limited / Depository Participants(s) or requesting physical copy]:
1. Initial password will be provided separately:
EVEN (E-Voting Event Number) USER ID PASSWORD/PIN
 2. Please follow all steps from Sr. No. (2) to (11) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available on the website www.evoting.nsdl.com under the 'Downloads section'. You can also contact NSDL via email at evoting@nsdl.co.in
 - III. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for casting your vote.
 - IV. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on 2 January 2015.
 - V. The e-voting period commences on 15 January 2015 (9:00 am) and ends on 13 February 2015 (6:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 2 January 2015, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- 4. For members who wish to vote through Postal Ballot Forms**
- I. The Postal Ballot Form is provided for the benefit of Members, who do not have access to E-voting facility.
 - II. Pursuant to clause 35B of the Listing Agreement, members who do not have access to E-voting facility, may exercise their right to vote on business to be transacted by Postal Ballot by submitting the Postal Ballot Form enclosed to this Notice.
 - III. Members may communicate their assent or dissent by returning duly filled in and signed the enclosed Postal Ballot form in attached self-addressed & postage pre-paid (if posted from India) envelope, so as to reach the Scrutinizer on or before 6.00 p.m. on Friday, 13 February 2015. The Postal Ballot Form received thereafter will be strictly treated as not received.
 - IV. Please follow the instructions as mentioned in the Postal Ballot Form.
5. Upon completion of scrutiny of the Postal Ballot voting, the Scrutinizer will submit his report to the Chairman. The results will be announced by the Chairman or any other Director of your Company on 17 February 2015 at 2.00 p.m. at the Registered Office of your Company and the Resolution will be taken as passed effectively on the date of such declaration, if assented by the requisite majority. The date of declaration of the result by the Chairman or such other Director shall be deemed to be the date of the General Meeting convened in that behalf. The result of the Postal Ballot will be communicated to the Stock Exchanges where your Company's shares are listed and shall be published through a public notice in newspapers. The result will also be put up on the website of the Company i.e. www.koel.co.in

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY SUMMONS FOR DIRECTION NO. 934 OF 2014.

In the matter of the Companies Act, I of 1956

AND

In the matter of Sections 391 to 394 read with Section 100
to 105 of the Companies Act, 1956.

AND

In the matter of the Composite Scheme of Arrangement
and Amalgamation between Kirloskar Brothers
Investments Limited and Pneumatic Holdings Limited and
Kirloskar Oil Engines Limited and their respective
shareholders and creditors.

Kirloskar Oil Engines Limited,)
a Company incorporated under the)
Companies Act, 1956 and having its)
Registered Office, at Laxmanrao)
Kirloskar Road, Khadki, Pune 411 003.) APPLICANT

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956 AND SECTION 102 OF THE COMPANIES ACT, 2013 TO THE NOTICE OF THE COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS OF KIRLOSKAR OIL ENGINES LIMITED AND NOTICE FOR POSTAL BALLOT AND E-VOTING

1. Pursuant to an Order dated 19th day of December, 2014 passed by the Hon'ble High Court of Judicature at Bombay in the Company Summons for Direction referred to hereinabove, a meeting of the Equity Shareholders of the Applicant Company is being convened and held at S. M. Joshi Socialist Foundation (S.M. Joshi Hall), S. No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030 on Wednesday, the 18th day of February, 2015 at 2.00 pm for the purpose of considering, and, if thought fit, approving with or without modification(s), the proposed Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors.
2. In this statement, Kirloskar Oil Engines Limited (hereinafter referred to as "KOEL" or "the Transferee Company" or "the Applicant Company" as the context may require) and Kirloskar Brothers Investments Limited (hereinafter referred to as "KBIL" or the "Demerged Company" or the "Transferor Company" as the context may require) and Pneumatic Holdings Limited (hereinafter referred to as "PHL" or the "Resulting Company" as the context may require). The other definitions contained in the Scheme will apply to this Explanatory Statement also.
3. Apart from the Court Convened Meeting of the Equity Shareholders of the Applicant Company, to seek their approval for the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors ("the Scheme") under section 391 to 394 of the Companies Act, 1956 and read with section 100 to 105 of the Companies Act, 1956, the approval of the Equity Shareholders of the Transferor Company is also separately sought for passing an Ordinary Resolution for approval of the Scheme as required pursuant to the circulars issued by the Securities and Exchange Board of India ("SEBI") bearing no. CIR/CFD/DIL/5/2013 dated 4 February 2013 and CIR/CFD/DIL/8/2013 dated 21 May 2013 (hereinafter collectively referred to as "SEBI Circulars"), through postal ballot and e-voting pursuant to Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014.
4. In terms of the SEBI circulars, the Scheme shall be acted upon only if the votes cast by the public shareholders (i.e. shareholders other than promoter and promoter group shareholders) in favour of the proposal are more than the number of votes cast by the public shareholders against the proposal.
5. A copy of the Scheme setting out in detail the terms and conditions of the proposed Scheme which has been approved by the Board of Directors of the Company is enclosed as **Annexure I**.
6. The Scheme is presented for Amalgamation of Residual Undertaking of Kirloskar Brothers Investments Limited with Kirloskar Oil Engines Limited.

7. The Applicant Company was originally incorporated as Kirloskar Engines India Limited on 12 January 2009 under the Companies Act, 1956. Subsequently pursuant to Section 21 of the Companies Act, 1956, name was changed to Kirloskar Oil Engines Limited vide certificate issued by Registrar of Companies, Pune, Maharashtra dated 2 June 2010. Corporate Identity number of the Applicant Company is L29120PN2009PLC133351.
8. The Registered office of the Applicant Company is situated at Laxmanrao Kirloskar Road, Khadki, Pune - 411 003.
9. The Authorised, Issued, Subscribed and Paid-up Share Capital of the Applicant Company as on 31 March 2014 is as under:

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

There is no change in capital structure of the Applicant Company till date. The Transferor Company holds 8,03,88,514 Equity Shares in the Applicant Company.

10. The main objects specified in the Memorandum of Association of the Applicant Company is briefly as follows:
- To carry on in India or elsewhere, the business as designers, researchers, developers, manufacturers, buyers, assemblers, modifiers, installers, reconditioners, sellers, hirers, sublessors, market makers, dismantlers, repairers, operators, exporters, importers, distributors and to act as agent, broker, adatia, consignor, C&F agent, indenting agent, representative, correspondent, franchiser, stockist, supplier, vendor, transporter, collaborator, export house or otherwise deal in engines of every description for the use of all kinds of engines including heat engines, internal combustion engines operated by any type of fuel and/ or gases including steam, boilers, locomotives, road rollers, automobiles, trucks, tractors, agricultural implements, pumps, gensets and all kinds and varieties of filters including air filters, water filters, oil filters, gas filters, filter elements, filter papers or any other products covered in the range of filters elements, and forging, pressing, stamping and roll - forming of metal; powder metallurgy.
11. The Applicant Company is presently carrying on business of manufacturing and selling of Diesel Engines, agricultural pump sets and generating sets and parts thereof.
12. KBIL was incorporated on 16 April 2009 under the Companies Act, 1956. Corporate Identity number of KBIL is L65999PN2009PLC133794.
13. The Registered office of KBIL is situated at 13/A, Karve Road, Kothrud, Pune – 411038.
14. The Authorised, Issued, Subscribed and Paid-up Share Capital of KBIL as on 31 March 2014 is as under:

Particulars	Amt In Rs.
Authorized :	
14,000,000 Equity Shares of Rs 10/- each	140,000,000
Total	140,000,000
Issued, Subscribed and Paid –Up:	
5,288,718 Equity Shares of Rs 10/- each	52,887,180
Total	52,887,180

There is no change in capital structure of KBIL as on date.

15. The main objects specified in the Memorandum of Association of KBIL is briefly as follows:

To carry on the business of an investment Company and to buy, sell, invest, acquire by gift, transfer, allotment and hold in the name of the Company or its nominees, shares, stocks, papers, debenture stock, bonds, commercial papers, obligations and securities of any kind, issued and/or guaranteed by any of the Kirloskar Group Companies and/or their Affiliates, (as defined in the Article 3 of Articles of Association of the Company) subject to prior approval of RBI wherever necessary and to buy, sell, acquire other security investments of Kirloskar Brothers Limited, under any Scheme of Arrangement / merger / demerger or under any court order or by way of transfer, allotment subject to prior approval of RBI wherever necessary.

16. KBIL is presently carrying on business of investment in shares & securities and also make strategic investments in Kirloskar Group Companies.
17. PHL was incorporated on 16 September 2014. Corporate Identity number of the PHL is U65993PN2014PLC152566.
18. The Registered office of PHL is situated at Survey No. 13, 156 Kothrud, Pune – 411029.
19. The Present Authorised, Issued, Subscribed and Paid-up Share Capital of PHL is as under:

Particulars	Amount In Rs.
Authorised Share Capital	
20,00,000 Equity Shares of Rs.10/-each	2,00,00,000
Total	2,00,00,000
Issued, Subscribed and Paid-up	
20,00,000 Equity Shares of Rs.10/-each	2,00,00,000
Total	2,00,00,000

There is no change in capital structure of PHL as on date. As on date PHL is a wholly owned subsidiary of KBIL as the entire paid-up share capital of PHL is held by the KBIL and its nominees.

20. The main objects specified in the Memorandum of Association of PHL is briefly as follows
 - (a) To carry on the business of an investment Company and to buy, sell, invest, acquire by gift, transfer, allotment and hold in the name of the Company or its nominees, shares, stocks, papers, debenture stocks, bonds, commercial papers, obligations and securities of any kind, issued and/or guaranteed by any of the Kirloskar Group Companies and/or their Affiliates, (as defined in the Article 7 of Articles of Association of the Company) and to buy, sell, acquire other security investments of Kirloskar Brothers Investments Limited, under any Scheme of Arrangement / merger / demerger or under any court order or by way of transfer, allotment . To carry on the business of owning, furnishing, letting, leasing executive cabins, conferences facilities and rendering various services including computer services, telex services, telephone services, executive centers, secretarial services, travel services and other facilities to executives and business of leasing, hire purchase, factoring, bill discounting, supplier credit, import and export finance, venture capital, seed capital and generally financing of all industrial, commercial and domestic ventures, enterprises and items such as plant, machinery, vehicles, ships, aircrafts, office equipment's and machines, gas cylinders, domestic equipment, refrigerators, air conditioners, television, radio and music equipment, furniture and fixtures, equipment for the supply, storage, distribution, treatment and use of water, petroleum products, gases, chemicals, effluents and other liquids and solids and for this purpose to buy, take on lease or otherwise acquire and hold for improvement, investment, development or trade, and sell, lease or otherwise impose of, however all or any of the aforesaid things.
21. PHL is formed recently to take over Demerged Undertaking of KBIL. It is yet to commence its business operations. As it is recently formed audited accounts of PHL are not required to be prepared.
22. The circumstances that have necessitated or justified the Scheme are inter alia summarised as under:
 - (a) As the KBIL has several commercial activities/businesses (held through its various investments) which are distinct and diverse from each other, the demerger will ensure focused management attention and resources and skill set allocation.
 - (b) Pursuant to the Scheme, all the shareholders of KBIL will get shares in PHL and KOEL and there would be no change in economic interest for any of the shareholders of KBIL pre and post the Scheme.
 - (c) The Scheme will provide greater flexibility to the shareholders of KBIL.

23. The salient features of the Scheme are as follows: -

- (a) **“Appointed Date”** shall be the Effective Date.
- (b) **"Effective Date"** shall be the last date on which certified/authenticated copies of the order of jurisdictional court sanctioning this Scheme are filed with the Registrar of Companies, Pune, Maharashtra.
- (c) Upon the Scheme becoming effective (after Part- II of the Scheme has taken effect), the whole of the Residual Undertaking of the Transferor Company comprising of all properties and assets of whatsoever nature and wheresoever situated, shall, without any further act or deed be transferred to and vested in and/or be deemed to be transferred to and vested in the Transferee Company as a going concern so as to become as from the Appointed Date the undertaking and assets of the Transferee Company and to vest in the Transferee Company all the rights, title, interest or obligations of the Transferor Company therein.
- (d) Upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Residual Undertaking of the Transferor Company shall without any further act or deed, be transferred to or be deemed to be transferred to the Transferee Company so as to become as from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of the Transferee Company.
- (e) All contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature of the Residual Undertaking to which the Transferor Company is a party or to the benefit of which the Transferor Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect against or in favour of the Transferee Company as the case may be and may be enforced as fully and effectively as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto.
- (f) Upon the Scheme becoming effective but with effect from the Appointed Date, any suit, writ petition, appeal, revision or other proceedings of whatever nature by or against the Transferor Company be pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer of the Undertaking of the Transferor Company or of anything contained in the Scheme, but the proceedings may be continued, prosecuted and enforced by or against the Transferee Company in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor Company as if the Scheme had not been made.
- (g) All the remaining employees, if any, after implementation of part II of the Scheme of the Transferor Company in service on the Effective Date shall become employees of the Transferee Company on such date without any break or interruption in service and on terms and conditions as to remuneration not less favourable than those subsisting with reference to the Transferor Company as on the said date.
- (h) Upon the Scheme becoming effective and upon amalgamation of the residual undertaking of Transferor Company into the Transferee Company in terms of this Scheme, the Transferee Company shall, without any further application or act or deed, issue and allot at par 76 (Seventy Six) Equity Shares of face value Rs.2/- (Rupees Two) each credited as fully paid-up in the capital of the Transferee Company to the Equity Share holders of the Transferor Company whose names appear in register of members of the Transferor Company on the Record Date to be fixed by the Board of Directors of the Transferor Company for every 5 (Five) Equity Shares of face value Rs.10/- (Rupees Ten) each fully paid-up held by said Equity Shareholder in the Transferor Company or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title, as the case may be. Accordingly, the total number of shares issued by the Transferee Company will be 8,03,88,514 of Rs. 2/- each.
- (i) Upon the Scheme becoming effective, the Equity Shares held by the Transferor Company in the Transferee Company shall stand cancelled and accordingly, the Paid-up Equity Share Capital of the Transferee Company shall stand reduced to that extent. The cancellation and the consequent reduction of the share capital of the Transferee Company as provided in the Scheme shall be done as an integral part of the Scheme and not in accordance with Section 100-101 of the Act as the same does not involve either diminution of liability in respect of any unpaid share capital or payment to any shareholder of any paid-up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction and the Transferee Company will not be required to add the words “And Reduced” after its name.
- (j) The Transferor Company shall be dissolved without winding up on an order made by the High Court of Bombay under Section 394 of the Companies Act, 1956.

The aforesaid are the main clauses of the scheme. The Members are requested to read the entire text of the Scheme to get acquainted with the provisions thereof as stated above.

24. The Proposed Scheme of Arrangement will not affect Creditors of the Applicant Company in as much as the Applicant Company in terms of the Scheme will take over all the debts, liabilities, duties and obligations as well as be vested with all the assets and properties of the residual undertaking of the Transferor Company. After Amalgamation, the total assets of the Applicant Company would be more than sufficient to discharge the liabilities of the Transferor Company as well as that of the Applicant Company. This Scheme is between shareholders of the Transferor Company and the Applicant Company as contemplated under section 391(1)(b) and not in accordance with the provisions of section 391(1)(a) of the Companies Act, 1956 as there is no compromise and/or Amalgamation with creditors and creditors of the Applicant Company are being paid in the normal course of business and as per the agreed terms and are not called upon to make any sacrifices, hence their interests are not getting affected in any way.
25. M/s Haresh Upendra & Co, Independent Chartered Accountant, Pune, based on their Valuation Report recommended to the Board of Directors of the Applicant Company the share exchange ratio in which Equity Share should to be issued by the Applicant Company to the shareholders of KBIL.
26. Fairness Opinion on the Valuation Report of M/s Haresh Upendra & Co, Independent Chartered Accountant was obtained from Axis Capital Limited, a SEBI registered Merchant Banker Category -1 as prescribed by SEBI. The Copy of Fairness Opinion issued by Axis Capital Limited, is enclosed as **Annexure II**.
27. The proposed Scheme was placed before Audit Committee of the Applicant Company at its meeting held on 2 September 2014. The Audit Committee recommended and approved the proposed Scheme after considering the Valuation Report of M/s Haresh Upendra & Co, Independent Chartered Accountant and Fairness Opinion of Axis Capital Limited, a SEBI registered Merchant Banker Category -1.
28. The Board of Directors of the Applicant Company have at their board meeting held on 2 September 2014 unanimously approved the Scheme based on recommendation of Audit Committee, Valuation Report of M/s. Haresh Upendra & Co, Independent Chartered Accountant recommending the share exchange ratio in which Equity Share should to be issued by the Applicant Company to the shareholders of KBIL and Fairness Opinion of Axis Capital Limited, a SEBI registered Merchant Banker Category -1. The Copies of the said report, fairness opinion and other documents submitted to the Stock Exchanges are also displayed on the website of the Applicant Company at www.koel.co.in and the websites of the Stock Exchanges where the shares of the Applicant Company are listed, in terms of the Securities Exchange Board of India circular CIR/CFD/DIL/5/2013 dated 4 February 2013.
29. In accordance with Clause 24(f) of the Listing Agreement and SEBI Circulars the Company has filed an application alongwith the Draft Composite Scheme of Arrangement and Amalgamation with BSE Limited (BSE) and National Stock Exchange (NSE) of India Limited on 29 September 2014 for seeking their No Objection to the proposed Composite Scheme of Arrangement and Amalgamation. BSE Limited, the Designated Stock Exchange forwarded the said application alongwith Draft Scheme to SEBI for its approval and/or comments.
30. As required by Circular No.CIR/CFD/DIL/5/2013 dated 4 February 2013 and CIR/CFD/DIL/8/2013 dated 21 May 2013 issued by SEBI, the Company has filed Complaints Report (indicating Nil Complaints) with BSE and NSE on 31 October 2014. After filing of Complaint Report, the Company has not received any complaint from any investors. A Copy of Complaints Report is enclosed as **Annexure III**.
31. Accordingly in terms of Clause 24(f) of Listing Agreement and SEBI Circulars the Company received approval to Scheme from BSE Limited vide its observation letter dated 3 December 2014 and National Stock Exchange of India Limited vide its observation letter dated 4 December 2014. A Copy of observation letter received from BSE and NSE are enclosed as **Annexure IV and Annexure V** respectively.
32. Neither (i) Kirloskar Brothers Investments Limited nor (ii) Kirloskar Oil Engines Limited is registered under the Competition Act, 2002 nor any approval of Competition Commission of India is required.
33. No investigation is pending against the Applicant Company under section 235 to 251 or any other provisions of the Companies Act, 1956 or under the notified sections of the Companies Act, 2013.
34. There is no winding up petition pending against the Applicant Company in any court in India.
35. The Directors of the Applicant Company may be deemed to be concerned and/or interested in the proposed Scheme otherwise than that as Shareholders in general or to the extent as Directors in any of the Companies 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 Applicant Company. Further, none of Key Managerial Personnel (KMP) & their relatives and relatives of the Directors of the Applicant Company are concerned or interested, financial or otherwise in the proposed Scheme. Save as aforesaid, none of the Directors of the Applicant Company have any material interest in the proposed Scheme.

36. The present shareholding of the Directors and Key Managerial Personnel of the Applicant Company in the Applicant Company, KBIL and PHL either singly or jointly or as nominee as on date are as under:-

Sr. No.	Name of Director / KMP	Position	No. of Equity Shares Held in		
			The Applicant Company	KBIL	PHL
1	Mr. Atul C. Kirloskar	Executive Chairman	26,54,276	10,39,631	Nil
2	Mr. Gautam A. Kulkarni	Executive Vice Chairman	25,60,714	10,41,468	Nil
3	Mr. Nihal G. Kulkarni	Managing Director	1,59,756	Nil	Nil
4	Mr. Rajendra R. Deshpande	Executive Director	11,250	Nil	Nil
5	Mr. Rahul C. Kirloskar	Director	19,23,155	10,40,115	Nil
6	Mr. U.V. Rao	Director	Nil	Nil	Nil
7	Mr. R. Srinivasan	Director	3,750	Nil	Nil
8	Mr. Pratap G. Pawar	Director	5,355	Nil	Nil
9	Mr. M. Lakshminarayan	Director	Nil	Nil	Nil
10	Dr. Naushad D. Forbes	Director	9,000	Nil	Nil
11	Mr. Mahesh R. Chhabria	Director	19,162	Nil	Nil
12	Ms. Gauri Kirloskar	Director	Nil	Nil	Nil
13	Mr. T. Vinodkumar	Chief Financial Officer	Nil	Nil	Nil
14	Ms. Smita Raichurkar	Asst. Company Secretary	Nil	Nil	Nil

37. The present shareholding of the Directors and Key Managerial Personnel of KBIL, in KBIL, the Applicant Company and PHL either singly or jointly or as nominee as on date are as under:-

Sr. No.	Name of Director / KMP	Position	No of Equity Shares Held in		
			KBIL	The Applicant Company	PHL
1	Mr. Atul C. Kirloskar	Chairman	10,39,631	26,54,276	Nil
2	Mr. Anil C. Kulkarni	Executive Director	Nil	Nil	Nil
3	Mr. Anil N. Alawani	Director	500	34,282	1*
4	Mr. V. K. Bajhal	Director	Nil	Nil	Nil
5	Mr. Sunil Shah Singh	Director	Nil	Nil	Nil
6	Mrs. Savita Sahasrabudhe	Director	Nil	250	Nil
7	Ms. Vinaya Wagh	Chief Financial Officer	Nil	Nil	Nil
8	Mr. Aniket Deshpande	Company Secretary	Nil	Nil	1*

* Holding as nominee of KBIL.

38. The present shareholding of the Directors and Key Managerial Personnel of PHL, in PHL, the Applicant Company KBIL either singly or jointly or as nominee as on date are as under:-

Sr. No.	Name of Director / KMP	Position	No of Equity Shares Held in		
			PHL	The Applicant Company	KBIL
1	Mr. Atul C. Kirloskar	Chairman	Nil	26,54,276	10,39,631
2	Mr. Anil C. Kulkarni	Executive Director	Nil	Nil	Nil
3	Mr. Anil N. Alawani	Director	1*	34,282	500
4	Mr. V. K. Bajhal	Director	Nil	Nil	Nil
5	Mr. Sunil Shah Singh	Director	Nil	Nil	Nil
6	Mrs. Savita Sahasrabudhe	Director	Nil	250	Nil

* Holding as nominee of KBIL.

39. Pursuant to Clause 24 (h) of the Listing Agreement with Stock Exchanges, the detailed pre and post-arrangement (expected) shareholding pattern of the Applicant Company, KBIL and PHL are given below:

Pre and PostArrangement Shareholding Pattern of the Applicant Company as on 30 September 2014

Category of Shareholder		Pre-arrangement		Post-arrangement	
		Number of shares	% of shareholding	Number of shares	% of shareholding
(A)	Shareholding of Promoter & Promoter Group	10,51,61,996	72.72	8,28,16,962	57.27
	Total Promoter and Promoter Group (A)	10,51,61,996	72.72	8,28,16,962	57.27
(B)	Public Shareholding				
1	Institutions				
a)	Mutual Funds / UTI	13,32,891	0.92	20,14,945	1.39
b)	Financial Institutions / Banks	38,31,493	2.65	53,49,988	3.70
c)	Insurance Companies	36,35,723	2.51	58,86,326	4.07
d)	Foreign Institutional Investors	1,49,79,049	10.36	1,71,35,488	11.85
	Sub-Total (B) (1)	2,37,79,156	16.44	3,03,86,748	21.01
2	Non-Institutions				
a)	Bodies Corporate	11,57,962	0.80	23,11,551	1.60
b)	Individuals	1,41,78,345	9.80	2,85,17,295	19.72
c)	Clearing Members	95,068	0.07	1,72,710	0.12
d)	NRI (Repatriate)	1,16,388	0.08	2,01,827	0.14
e)	NRI (Non-Repatriate)	1,24,946	0.09	2,06,768	0.14
	Sub-total (B) (2)	1,56,72,709	10.34	3,14,10,151	21.72
	Total Public Shareholding (B) = (B)(1) +(B) (2)	3,94,51,865	27.28	6,17,96,899	42.73
	Total (A) + (B)	14,46,13,861	100.00	14,46,13,861	100.00

Note 1: Above working of shareholding pattern is subject to adjustment for any fractional shares that may arise in course of Composite Scheme and the same will be dealt in the manner prescribed in the said Scheme.

Note 2: Above working of shareholding pattern post Composite Scheme is after considering cancellation of shares of KBIL in the Applicant Company.

Pre and Post Arrangement Shareholding Pattern of KBIL as on 30 September 2014

Category of Shareholder		Pre-arrangement		Post-arrangement	
		Number of shares	% of shareholding	Number of shares	% of shareholding
(A)	Shareholding of Promoter & Promoter Group	38,18,650	72.20	On giving effect to the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors, Kirloskar Brothers Investments Limited (Demerged Company / Transferor Company) shall be dissolved without winding up under the Act. Hence, details are not applicable.	
	Total Promoter and Promoter Group (A)	38,18,650	72.20		
(B)	Public Shareholding				
1	Institutions				
a)	Mutual Funds / UTI	44,872	0.85		
b)	Financial Institutions / Banks	1,53,989	2.51		
c)	Insurance Companies	93,828	1.77		
d)	Foreign Institutional Investors	1,41,871	2.68		
	Sub-Total (B) (1)	4,34,560	8.22		
2	Non-Institutions				
a)	Bodies Corporate	1,06,709	1.43		
b)	Individuals	15,75,944	17.94		
c)	Clearing Members	5,108	0.10		
d)	NRI (Repatriate)	11,199	0.11		
e)	NRI (Non-Repatriate)	7,178	0.10		
	Sub-total (B) (2)	10,35,508	19.58		
	Total Public Shareholding (B) = (B)(1) +(B) (2)	14,70,068	27.80		
	Total (A) + (B)	5,28,87,180	100.00		

Pre and Post Arrangement Shareholding Pattern of PHL as on 30 September 2014

Category of Shareholder		Pre-arrangement		Post-arrangement	
		Number of shares	% of shareholding	Number of shares	% of shareholding
(A)	Shareholding of Promoter & Promoter Group	20,00,000	100.00	38,18,650	72.20
	Total Promoter and Promoter Group (A)	20,00,000	100.00	38,18,650	72.20
(B)	Public Shareholding				
1	Institutions	-	-		
a)	Mutual Funds / UTI	-	-	44,872	0.85
b)	Financial Institutions / Banks	-	-	1,53,989	2.51
c)	Insurance Companies	-	-	93,828	1.77
d)	Foreign Institutional Investors	-	-	1,41,871	2.68
	Sub-Total (B) (1)	-	-	4,34,560	8.22
2	Non-Institutions	-	-		
a)	Bodies Corporate	-	-	1,06,709	1.43
b)	Individuals	-	-	15,75,944	17.94
c)	Clearing Members	-	-	5,108	0.10
d)	NRI (Repatriate)	-	-	11,199	0.11
e)	NRI (Non-Repatriate)	-	-	7,178	0.10
	Sub-total (B) (2)	-	-	10,35,508	19.58
	Total Public Shareholding (B) = (B)(1) +(B) (2)	20,00,000	100.00	14,70,068	27.80
	Total (A) + (B)	20,00,000	100.00	5,28,87,180	100.00

40. The following documents will be open for inspection at the Registered Office of the Applicant Company on any working day (except Saturdays, Sundays and Public Holidays) between 11:00 a.m. to 1:00 p.m. prior to the date of the meeting:
- Composite Scheme of Arrangement and Amalgamation.
 - Memorandum and Articles of Association of the Applicant Company, KBIL and PHL
 - Audited Financial Statement of Accounts for the year ended on 31 March 2014 of the Applicant Company and KBIL .
 - Unaudited Balance Sheet as on 30 September 2014 of the Applicant Company, KBIL and PHL.
 - Copy of Share Exchange Ratio Report/ the Valuation Report dated 1 September 2014 issued by M/s. Haresh Upendra & Co, Independent Chartered Accountant, Pune.
 - Copy of the Fairness Opinion dated 2 September 2014 read with Opinion dated 23 September 2014 issued by Axis Capital Limited, SEBI registered Merchant Banker Category 1.
 - Complaint Report dated 31 October 2014.
 - Copy of Observation Letters dated 3 December 2014 and 4 December 2014 issued by BSE and NSE respectively conveying their no objection.
 - Register of Directors' shareholdings of the Applicant Company.
 - Certified copy of the Order dated 19 December 2014 passed by the Hon'ble High Court of Judicature at Bombay in Company Summons for Direction No. 934 of 2014 directing the convening of the meeting of the Equity Shareholders of the Applicant Company.

This statement may be treated as the Explanatory statement under Section 102 of the Companies Act, 2013 (earlier Section 173 of the Companies Act, 1956) and also Section 393 of the Companies Act, 1956. A copy of the Scheme of Arrangement, Explanatory Statement and Form of Proxy may be obtained from the Registered office of the Applicant Company and/or at the office of its Advocate M/s. Hemant Sethi & Co having their office at 1602, Nav Parmanu, Behind Amar Cinema, Chembur, (West), Mumbai 400 022.

**Sd/-
Atul C. Kirloskar
Chairman Appointed for the Meeting**

**By Order of the Board of Director
For Kirloskar Oil Engines Limited**

**Sd/-
Smita Raichurkar
Asst. Company Secretary**

Dated this 29th day of December, 2014.

Registered Office:

Laxmanrao Kirloskar Road, Khadki,
Pune - 411 003.

CIN: L29120PN2009PLC133351

Ph. No. 020 – 25810341

Fax No. 020 - 25813208

Website: www.koel.co.in

E-mail: investors@kirloskar.com

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

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

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

This Scheme is divided into the following parts –

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

PART I

BACKGROUND, RATIONALE, DEFINITIONS AND SHARE CAPITAL

1. BACKGROUND

Kirloskar Brothers Investments Limited was incorporated on 16th April, 2009, under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number (CIN) of Kirloskar Brothers Investments Limited is L65999PN2009PLC133794. The registered office of Kirloskar Brothers Investments Limited is situated at 13/A, Karve Road, Kothrud, Pune 411 038. The main object of the company is to make strategic investments in Kirloskar Group Companies.

Pneumatic Holdings Limited was incorporated on 16th September 2014, under the Companies Act, 2013, in the State of Maharashtra. The Corporate Identity Number (CIN) of Pneumatic Holdings Limited is U65993PN2014PLC152566. The registered office of Pneumatic Holdings Limited is situated at Survey No. 13, 156, Kothrud, Pune 411 029. The main object of the Company is to make strategic investments in the Kirloskar Group Companies and travel services.

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

2. RATIONALE OF THE SCHEME

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

- 2.1 As KBIL has several commercial activities/businesses (held through its various investments) which are distinct and diverse from each other, the demerger will ensure focused management attention and resources and skill set allocation.
- 2.2 Pursuant to the Scheme, all the shareholders of KBIL will get shares in PHL and KOEL and there would be no change in economic interest for any of the shareholder of KBIL pre and post Scheme.
- 2.3 The Scheme will provide greater flexibility to the shareholders of KBIL.

3. **DEFINITIONS**

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

- 3.1 **"Act"** or **"The Act"** means the Companies Act, 1956 and rules made thereunder and any corresponding provisions of the Companies Act, 2013, (as notified from time to time) and shall include any other statutory modifications or re-enactments thereof for the time being in force.
- 3.2 **"KBIL"** or **"The Demerged Company"** or **"The Transferor Company"** means Kirloskar Brothers Investments Limited, a company incorporated under the Companies Act, 1956, and having its registered office at 13/A, Karve Road, Kothrud, Pune 411 038.
- 3.3 **"PHL"** or **"The Resulting Company"** means Pneumatic Holdings Limited, a company incorporated under the Companies Act, 2013, as a 100% subsidiary of KBIL, and having its registered office at Survey No. 13, 156, Kothrud, Pune 411 029.
- 3.4 **"KOEL"** or **"The Transferee Company"** means Kirloskar Oil Engines Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Laxmanrao Kirloskar Road, Khadki, Pune 411 003.
- 3.5 **"Appointed Date"** shall be the Effective Date.
- 3.6 **"Effective Date"** shall be the last date on which certified/authenticated copies of the order of jurisdictional court sanctioning this Scheme are filed with the Registrar of Companies, Pune, Maharashtra.
- 3.7 **"High Court"** shall mean the High Court of Judicature at Bombay. In the event of the National Company Law Tribunal (hereinafter referred to as **"the Tribunal"**) is constituted by the Central Government by a Notification in the Official Gazette and the proceedings initiated under Sections 391-394 of the Companies Act, 1956, relating to this Scheme are transferred to the Tribunal, the words "High Court" shall deem to mean and include the Tribunal, as the context may require.
- 3.8 **"Scheme"** or **"the Scheme"** or **"this Scheme"** means this Composite Scheme of Arrangement and Amalgamation in its present form as submitted to the Hon'ble High Court or this Scheme with such modification(s), if any, including those as approved, imposed or directed by the Hon'ble High Court and accepted by the Parties hereto.
- 3.9 **"Demerged Undertaking"** means "Undertaking consisting mainly of travel services business done by KBIL in its own name, Silk Business and Compression Systems and Transmission Products Business done through its subsidiaries" and shall include (without limitation):
 - 3.9.1 All assets including properties of and required for travel services business and investments in businesses done through KBIL and its subsidiaries except KOEL, wherever situated, whether movable or immovable, tangible or intangible, in possession or reversion, including investments held by the Demerged Company in Kirloskar Pneumatic Company Limited, Nashik Silk Industries Limited, Kirloskar Kenya Limited, Kirloskar Industries Limited and Kirloskar Investments & Finance Limited, receivables and security receipts, all cash and bank balances (including cash and bank balances deposited with any banks or entities), money at call and short notice, loans, advances, contingent rights or benefits, reserves, provisions, funds, benefits of all agreements, bonds, debentures, debenture stock, units or pass through certificates, offices including marketing offices and liaison offices, branches, work-in-progress, current assets (including inventories, sundry debtors, bills of exchange, loans and advances), vehicles, furniture, fixtures, share of any joint assets, and other facilities in connection with or relating to the travel services and other businesses and other assets (hereinafter referred to as **"the said Assets"**);
 - 3.9.2 All the debts, liabilities, contingent liabilities, duties, obligations and guarantees of the Demerged Undertaking as on the Appointed Date (hereinafter referred to as **"the said Liabilities"**);

3.9.3 Without prejudice to the generality of sub-clauses 3.9.1 and 3.9.2 above, the Demerged Undertaking, shall also include the Reserve of Demerged Company namely Reserve Fund created in terms of Section 451C of the Reserve Bank of India Act, 1934, movable and immovable properties if any and other rights arising out of vehicle lease agreements, including leave and license agreements, powers, authorities, allotments, approvals and consents, registrations, contracts, engagements, agreements, arrangements, titles, interest, benefits, tenancy rights, authorizations, quota rights, trademarks, patents, earnest money and /or security deposits, telephones, telex, facsimile and other communication facilities and equipment, rights and benefits of all agreements and all other interests, rights and powers of every kind, nature and description whatsoever, privileges, liberties, easements, advantages, benefits and approvals and all books of accounts, documents, records and all other assets relating to the Demerged Undertaking as identified and approved by the Board on the Appointed Date except those related to the remaining businesses of KBIL;

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

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

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

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

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

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

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

3.10.3 Without prejudice to the generality of sub-clause 3.10.1 and 3.10.2 above the Residual Undertaking shall include all the assets including claims, powers, authorities, allotments, approvals, consents, registrations, contracts, enactments, arrangements, rights, titles, interest, benefits, advantages, lease-hold rights and systems of any kind whatsoever, trademarks, patents and other industrial and intellectual properties, including any applications filed by KBIL for securing of any intellectual property rights, any additions thereto or alterations thereof, whether in India or abroad, rights and benefits of all agreements and other interests including rights and benefits under various schemes of different taxation laws as may belong to or be available to the Residual Undertaking, rights and powers of every kind, nature and description of whatsoever probabilities, liberties, easements, advantages, and approval of, whatsoever nature and wherever situated, belonging to or in ownership, power or possession or control or entitlement of the Residual Undertaking, if any.

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

4 **SHARE CAPITAL**

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

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

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

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

Particulars	Amt In Rs.
Authorized :	
20,00,000 Equity Shares of Rs.10/- each	2,00,00,000
Total	2,00,00,000
Issued, Subscribed and Paid –Up:	
20,00,000 Equity Shares of Rs.10/- each	2,00,00,000
Total	2,00,00,000

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

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

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

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

PART II

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

5 TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING

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

5.2 The transfer of movable assets of the Demerged Undertaking shall be effected as follows:

5.2.1 All movable assets including cash and bank balance to the extent remaining after adjusting balance transferrable to KOEL for expenses, cheques, bills of exchange, promissory notes and other negotiable instruments, documents of title to goods or properties, of KBIL pertaining or relatable to the Demerged Undertaking capable of passing by manual delivery or by endorsement and delivery shall be so delivered or endorsed and delivered, as the case may be, to PHL. Such delivery, transfer and endorsement shall be made on a date mutually agreed upon between the Board of Directors of KBIL and the Board of Directors of PHL.

5.2.2 In respect of movable assets other than those specified in 5.2.1 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, Semi Government, local and other authorities and bodies, customers and other persons, the following modus operandi shall to the extent possible, be followed, that is to say KBIL and PHL shall jointly or severally, as may be decided by them, give notice in such form as they may deem fit and proper, that pursuant to the Hon'ble High Court having sanctioned, inter alia, this Scheme, the said debts, loans, advances or deposits pertaining to the Demerged Undertaking be paid and/or made good to or be held on account of KBIL as the person entitled thereto to the end and intent that the right of KBIL to recover or realize the same stands transferred and assigned to PHL and that appropriate entry shall be made in the books of account of KBIL and PHL to record the aforesaid change.

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

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

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

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

6 CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments entered into by KBIL, if any, of whatsoever nature and relating only to the Demerged Undertaking subsisting or being in force on the Effective Date, shall be in full force and effect against or in favour of PHL, as the case may be, and may be enforced by or against PHL as fully and effectually as if, instead of KBIL, PHL, had been a party thereto from inception. PHL shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any arrangements, confirmations or novations, in order to give formal effect to the provisions of this Scheme. PHL shall be deemed to be authorised to execute any deeds, writings or confirmations on behalf of KBIL and to implement or carry out all formalities required on the part of KBIL to give effect to the provisions of this Part II of the Scheme.

7 LEGAL PROCEEDINGS

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

8 EMPLOYEES

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

9 BOARD OF DIRECTORS

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

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

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

Clause V (a) of the Memorandum of Association

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

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

Article 7 of the Articles of Association

“The Authorised Share Capital of the Company is Rs. 6,00,00,000 (Rupees Six Crores only) divided into 60,00,000 Equity Shares of Rs.10/- each with power to increase, consolidate, sub-divide, cancel and/or reduce the capital of the Company and to issue any of these shares in the capital, original or increased, with or subject to any rights or conditions as regards dividend, repayment of capital or otherwise in accordance with the Company's regulations and the provisions of the said Act. The Company shall have power to convert fully paid-up shares into stock and to reconvert stock into shares. The Company shall have power to issue equity shares with differential rights as to dividend, voting or otherwise, in accordance with such rules and subject to such conditions as may be prescribed, from time to time, by the Government of India. The share(s) in the capital of the Company, for the time being, whether original or increased, may be divided into several classes, with any preferential, qualified or other special rights, privileges, conditions or restrictions attached thereto, whether in regards to dividend, voting, return of capital or otherwise. The Company shall have power to issue redeemable preference shares, if and whenever the capital of the Company is divided into shares of different classes, rights of any class may, subject to the provisions of Sections 106 and 107 of the said Act and whether or not the Company is being wound up, be varied, modified, affected, extended, abrogated or surrendered with the consent in writing of the holders of three-fourth of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.”

- 10.2 i. Upon the Scheme becoming effective and after transfer of Authorised Capital of the Demerged Company to the Resulting Company as aforesaid in Clause 10.1 of this Scheme, the Authorised Share Capital of the Resulting Company shall automatically stand increased without any further act on the part of the Resulting Company including payment of stamp duty and registration fees payable to the Registrar of Companies, by clubbing the Authorised Share Capital of the Demerged Company as transferred, which is Rs. 8,00,00,000 (Rupees Eight Crores only) divided into 80,00,000 Equity shares of Rs. 10/- each.
- ii. Consequent to the transfer of the Authorised Share Capital of the Demerged Company to the Resulting Company, the Authorised Share Capital of the Resulting Company shall be increased to Rs. 10,00,00,000 (Rupees Ten Crores only) which shall be divided into 1,00,00,000 Equity Shares of Rs.10/- each.
- iii. The resolution approving the Scheme shall be deemed to be the approval of increase in the Authorised Share Capital of the Resulting Company under Section 61 and other applicable provisions of the Companies Act, 2013. The Clauses/Articles in the Memorandum and/or Articles of the Resulting Company shall stand amended.
- 10.3 Pursuant to this Scheme, the Demerged Company and Resulting Company shall file the requisite forms with the Registrar of Companies for alteration of its authorised share capital.

11 ISSUE OF SHARES

- 11.1 Upon transfer of the Demerged Undertaking into PHL and the arrangement becoming effective in terms of the Scheme, PHL shall without any further application, issue and allot to the shareholders of KBIL, 1 (One) Equity Share of Rs.10/- (Rupees Ten) each credited as fully paid-up in the capital of PHL to the Equity Shareholders of KBIL whose names appear in the register of members of KBIL on the Record Date to be fixed by the Board of Directors of KBIL for every 1 (One) Equity Share of Rs. 10/- each fully paid up held by said Equity Shareholders in KBIL or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title, as the case may be.
- 11.2 Equity shares to be issued by PHL pursuant to Clause 11.1 of this Scheme, in respect of any equity shares of the Demerged Company held in abeyance, if any, under the provisions of Section 206A of the Act or otherwise, shall, pending allotment or settlement of dispute by order of Court or otherwise, be held by PHL in abeyance.
- 11.3 The shares issued by PHL to the members of KBIL pursuant to Clause 11.1 above shall be issued in dematerialised form, unless otherwise notified in writing by the shareholders of KBIL to PHL on or before such date as may be determined by the Board of Directors of KBIL thereof. In the event such notice has not been received by PHL in respect of any of the members of KBIL, the equity shares shall be issued to such members in dematerialised form provided that the members of KBIL shall be required to have an account with a depository participant and shall be required to provide details thereof and such other confirmations as may be required. In the event that PHL has received notice from any of the members of KBIL that equity shares are to be issued in physical form or if any member of KBIL has not provided the requisite details relating to his/her/its account with a depository participant or other confirmations as may be required or if the details furnished by any member of KBIL do not permit electronic credit of the shares of PHL, then PHL shall issue equity shares in physical form to such member(s) of KBIL.

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

12. REDUCTION OF THE EXISTING EQUITY SHARE CAPITAL OF PHL

- 12.1. Upon the Scheme becoming effective and upon the issue of shares by PHL in accordance with Clause 11 above, the existing capital of Rs. 2,00,00,000 (Two Crores only) divided into 20,00,000 Equity Shares of Rs.10/- each of PHL held by KBIL and its nominees as on the Record Date shall, without any application or deed, stand reduced and cancelled without any payment.
- 12.2. The amount of equity share capital of PHL so reduced pursuant to clause 12.1 above shall be credited to Capital Reserve Account in the books of PHL.
- 12.3. The cancellation of the existing equity shares of Rs.10/- each amounting to Rs. 2,00,00,000 (Two Crores Only) of PHL as mentioned in Clause 12.1 above shall be effected as an integral part of this Scheme without having to follow the process under Sections 100 to 103 of the Act separately and the Order of the Hon'ble High Court sanctioning the Scheme shall be deemed to be also the Order under Section 102 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital and hence the provisions of Section 101 of the Act will not be applicable. Further, PHL shall not be required to add the words "and reduced" as a suffix to its name consequent upon such reduction.

13. ACCOUNTING TREATMENT

- 13.1. KBIL shall, upon coming into effect of the Scheme and on account of the demerger of the Demerged Undertaking into PHL, reduce book value of assets and liabilities as on the close of business of the day immediately preceding the Appointed Date pertaining to the Demerged Undertaking and reduce Reserve Fund created under Section 451C of Reserve Bank of India Act, 1934.
- 13.2. The difference between the value of assets, liabilities and reserve mentioned in Clause 13.1 above shall be first adjusted against the balance in General Reserve Account of KBIL and balance, if any, after adjustment, will be further adjusted against the balance in Profit & Loss Account of KBIL. The balance of General Reserve Account and Profit & Loss Account as the case may be shall stand reduced to that extent.
- 13.3. Investments of KBIL in share capital of PHL shall stand cancelled on effective date and the same shall be adjusted to balance in the General Reserve Account or Profit & Loss Account of KBIL.
- 13.4. PHL shall upon the demerger becoming effective record all the assets, liabilities and reserve mentioned in Clause 13.1 above relating to the Demerged Undertaking vested in it pursuant to this Scheme at the values as appearing in the books of KBIL at the close of business of the day immediately preceding the Appointed Date.

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

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

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

- 14.1 KBIL shall carry on its business and activities relating to the Demerged Undertaking and undertakes to hold the assets with utmost prudence until the Effective Date.
- 14.2. As and from the date of acceptance of this Scheme by the Board of Directors of KBIL and till the Effective Date, KBIL shall not alienate, charge, mortgage, encumber or otherwise deal with the assets of the Demerged Undertaking or any part thereof without the prior written concurrence of the Board of Directors of PHL except in the normal course of business.
- 14.3. KBIL shall be entitled, pending the sanction of the Scheme, to apply to the Central / State Government, and all other agencies, departments and authorities concerned as are necessary under any law or rules, for such consents, approvals and sanctions, which PHL may require pursuant to this Scheme.

15. SAVING OF CONCLUDED TRANSACTIONS & PROCEEDINGS

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

16. TAXES AND DUTIES

- 16.1 All indirect taxes paid by KBIL which is relating to demerged undertaking shall for all the purposes be treated as the taxes, liabilities or refunds and claims for Demerged Undertaking and PHL shall take the credit for all taxes, liabilities or refunds and claims.
- 16.2 The Resulting Company shall be entitled to file / revise its service tax returns, value added tax returns, central sales tax returns, tax deducted at source certificates, tax deducted at source returns and other statutory returns and filings, if required under the Tax Laws, and shall have the right to claim or adjust refunds, advance tax credits, tax deducted at source / foreign taxes withheld/ paid, input tax credits etc. if any, as may be required consequent to implementation of this Scheme.

17. INCOME TAX COMPLIANCE

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

PART III

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

18. TRANSFER OF RESIDUAL UNDERTAKING

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

- 18.1 Upon the Scheme becoming effective (after Part - II of the Scheme has taken effect), the whole of the Residual Undertaking of the Transferor Company comprising of all properties and assets (whether movable or immovable, tangible or intangible) of whatsoever nature and wheresoever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further act or deed (save as provided in clauses 18.2 and 18.3 below), be transferred to and vested in and/or be deemed to be transferred to and vested in the Transferee Company as a going concern so as to become as from the Appointed Date the undertaking and assets of the Transferee Company and to vest in the Transferee Company all the rights, title, interest or obligations of the Transferor Company therein.
- 18.2 All the movable assets including cash and bank balance, of the Residual Undertaking, capable of passing by manual delivery or by endorsement and delivery, shall be so delivered or endorsed and delivered, as the case may be, to the Transferee Company. Such delivery shall be made on a date mutually agreed upon between the Board of Directors of the Transferor Company and the Board of Directors of the Transferee Company within reasonable time from the Effective Date.
- 18.3 In respect of movables other than those specified in sub-clause 18.2 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, Semi-Government, local and other authorities and bodies, customers and other persons in India and beyond India, the following modus operandi for intimating to third parties shall to the extent possible be followed:
 - 18.3.1 The Transferee Company shall give notice in such form as it may deem fit and proper, to each person, debtor or depositee as the case may be, that pursuant to the Hon'ble High Court having sanctioned the Scheme between the Transferor Company and the Transferee Company, the said debt, loan, advance or deposit be paid or made good or held on account of the Transferee Company as the person entitled thereto to the end and intent that the right of the Transferor Company to recover or realize the same stands extinguished and that appropriate entry should be passed in its books to record the aforesaid change.
 - 18.3.2 The Transferor Company shall also give notice in such form as they may deem fit and proper to each person, debtor or depositee that pursuant to the Hon'ble High Court having sanctioned this Scheme, the said debt, loan, advance or deposit be paid or made good or held on account of the Transferee Company and that the right of the Transferor Company to recover or realise the same stands extinguished.
- 18.4 Upon the Scheme becoming effective, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Transferor Company shall also, under the provisions of Section 391 read with Section 394 of the Act, without any further act or deed, be transferred to or be deemed to be transferred to the Transferee Company so as to become as from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of the Transferee Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen, in order to give effect to the provisions of this Sub-clause.
- 18.5 It is clarified that the Scheme shall not in any manner affect the rights and interest of the creditors, if any, of the Transferor Company or be deemed to be prejudicial to their interests.
- 18.6 All assets of the Residual Undertaking would be available to the Transferee Company from the Effective Date.
- 18.7 The registrations in the name of the Transferor Company, which are transferable in nature, shall be deemed to be transferred in the name of the Transferee Company from the Effective Date and the Transferee Company shall give requisite intimations for this purpose to all concerned.
- 18.8 In case of registrations in the name of the Transferor Company, other than the registrations mentioned above, the Transferee Company may make a fresh application to the appropriate authorities to procure the same, by complying with the requisite laws or regulations.

- 18.9 The transfer and vesting of all the assets of the Transferor Company, as aforesaid, shall be subject to the existing debts, duties, liabilities, charges, mortgages and encumbrances, if any, over or in respect of any of the assets or any part thereof of the Transferor Company, provided however, any reference in any security documents or arrangements (to which any of the Transferor Company is a party) to the assets of the Transferor Company offered or agreed to be offered as security for any financial assistance or obligations shall be construed as reference only to the assets pertaining to the Residual Undertaking of the Transferor Company as are vested in the Transferee Company by virtue of the aforesaid Clauses, to the end and intent that such security, charge and mortgage shall not extend or be deemed to extend, to any of the other assets of the Transferor Company or any of the assets of the Transferee Company, provided further that the securities, charges and mortgages (if any subsisting) over and in respect of the assets or any part thereof of the Transferee Company shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges or mortgages to the end and intent that such securities, charges and mortgages shall not extend or be deemed to extend, to any of the assets of the Transferor Company vested in the Transferee Company. Provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Transferor Company which shall vest in the Transferee Company by virtue of the merger of the Transferor Company with the Transferee Company and the Transferee Company shall not be obliged to create any further or additional security therefor after the merger has become operative.
- 18.10 Loans or other obligations, if any, due between or amongst the Transferor Company and the Transferee Company shall stand discharged and there shall be no liability in that behalf. In so far as any securities, debentures or notes issued by the Transferor Company, and held by the Transferee Company and vice versa are concerned the same shall, unless sold or transferred by the Transferor Company or the Transferee Company, as the case may be, at any time prior to the effective date, stand cancelled as on the effective date, and shall have no effect and the Transferor Company, as the case may be, shall have no further obligation outstanding in that behalf.
- 19.11 Upon the Scheme coming into effect, the borrowing limits of the Transferee Company in terms of Section 180(1)(c) of the Companies Act, 2013, shall without any further act or deed, stand enhanced by an amount equivalent to the authorised borrowing limits of the Transferor Company where applicable, such limits being incremental to the existing limits of the Transferee Company. The Transferee Company may thereafter increase these limits as enhanced from time to time by obtaining sanction from its shareholders in accordance with the provisions of the Act.

19. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

Subject to all the provisions of this Scheme, all contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature to which the Transferor Company is a party or to the benefit of which the Transferor Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect against or in favour of the Transferee Company as the case may be and may be enforced as fully and effectively as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto. The Transferee Company shall enter into and / or issue and / or execute deeds, writings or confirmations or enter into a tripartite arrangement, confirmation or novation to which the Transferor Company will, if necessary, also be a party in order to give formal effect to this Clause if so required or become necessary.

20. LEGAL PROCEEDINGS

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

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

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

- 21.1 KBIL shall be carrying on and shall carry on its business and activities relating to the Residual Undertaking and undertakes to hold the assets with utmost prudence until the Effective Date.
- 21.2 As and from the date of acceptance of this Scheme by the Board of Directors of the Transferor Company and till the Effective Date, the Transferor Company shall not alienate, charge, mortgage, encumber or otherwise

deal with the assets of the Residual Undertaking or any part thereof without the prior written concurrence of the Board of Directors of the Transferee Company except in the normal course of business.

- 21.3 The Transferor Company shall be entitled, pending the sanction of the Scheme, to apply to the Central / State Government, and all other agencies, departments and authorities concerned as are necessary under any law or rules, for such consents, approvals and sanctions, which the Transferee Company may require pursuant to this Scheme.

22. EMPLOYEES

- 22.1 All the remaining employees, if any, after implementation of part II of the Scheme of the Transferor Company in service on the Effective Date shall become employees of the Transferee Company on such date without any break or interruption in service and on terms and conditions as to remuneration not less favourable than those subsisting with reference to the Transferor Company as on the said date.
- 22.2 It is provided that so far as the Provident Fund, or any other Special Scheme(s) / Fund(s), or similar benefits if any, created or existing for the benefit of the employees of the Transferor Company are concerned, upon the coming into effect of this Scheme, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever related to the administration or operation of such Schemes or Funds or in relation to the obligation to make contributions to the said Schemes / Funds in accordance with provisions of such Schemes / Funds as per the terms provided in the respective Trust Deeds, to the end and intent that all the rights, duties, powers and obligations of the Transferor Company in relation to such Schemes / Funds shall become those of the Transferee Company. It is clarified that the services of the employees of the Transferor Company will be treated as having been continuous for the purpose of the aforesaid Schemes / Funds.

23. ISSUE OF SHARES BY THE TRANSFEE COMPANY

- 23.1 Upon the Scheme becoming effective and in consideration of the transfer and vesting of the undertaking of the Transferor Company into the Transferee Company in terms of the Scheme, the Transferee Company shall, without any further application or act or deed, issue and allot 76 (Seventy Six) Equity Shares of face value Rs.2/- (Rupees Two) each credited as fully paid-up in the capital of the Transferee Company to the Equity Shareholders of the Transferor Company whose names appear in register of members of the Transferor Company on the Record Date to be fixed by the Board of Directors of the Transferor Company for every 5 (Five) Equity Shares of face value Rs.10/- (Rupees Ten) each fully paid-up held by said Equity Shareholder in the Transferor Company or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title, as the case may be. Accordingly, the total number of shares issued by the Transferee Company will be 8,03,88,514 of Rs. 2/- each.
- 23.2 In case bonus share are issued by the Transferee Company after the date of approval of the scheme till the effective date, the share exchange ratio as mentioned in 23.1 above clause will be adjusted accordingly.
- 23.3 No fractional certificates shall be issued by the Transferee Company in respect of the fractional entitlements, if any, to which the equity shareholders of the Transferor Company may be entitled. The Board of Directors of the Transferee Company shall instead consolidate all such fractional entitlements to which the shareholders of the Transferor Company may be entitled to, and shall without any further application, act, instrument or deed, issue and allot equity shares in lieu thereof to an individual trustee, board of trustees, or a corporate trustee (Trustee) who shall hold the same, with all additions or accretions thereto in trust for those entitled to the fractions and sell the same in the market at such price and at such time as the Trustee may deem fit at its sole discretion decide and distribute the net sale proceed to the all the equity shareholders of the Transferor Company entitled to the same in proportion to their fractional entitlements.
- 23.4 The New Equity Shares to be issued by Transferee Company pursuant to Clause 23.1 of this Scheme, in respect of any equity shares of the Transferor Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise, shall, pending allotment or settlement of dispute by order of Court or otherwise, be held by Transferee Company in abeyance.
- 23.5 The New Equity Shares to be issued and allotted by the Transferee Company will be subject to the Memorandum and Articles of Association of the Transferee Company and shall rank pari passu in all respects with the existing Equity Shares of the Transferee Company, with all rights thereto and shall be entitled to full dividend, if any, which may be declared by the Transferee Company after the Effective Date of the Scheme.
- 23.6 The New Equity Shares shall be issued in dematerialised form to those equity shareholders who hold shares of the Transferor Company in dematerialised form, provided all details relating to account with depository participant are available with the Transferee Company. All those equity shareholders who hold equity shares of the Transferor Company in physical form, shall be issued new equity shares in physical or

electronic form, at the option of such shareholders to be exercised by them on or before the Record Date, by giving a notice in writing to the Transferee Company; and if such option is not exercised by such shareholders, the new equity shares shall be issued to them in physical form.

- 23.7 The issue and allotment of New Equity Shares in the Transferee Company to the shareholders of the Transferor Company as provided in the Scheme as an integral part thereof, shall be deemed to have been carried out as if the procedure laid down under Section 62(1) (c) of the Companies Act, 2013 and any other applicable provisions of the Act.
- 23.8 The New Equity Shares of the Transferor Company issued in terms of Clause 23.1 above, subject to applicable regulations, shall be listed and / or admitted to trading on BSE and NSE where the existing equity shares of Transferee Company are listed and / or admitted to trading.
- 23.9 The Transferee Company will make application for approval, if applicable or filings to Foreign Investment Promotion Board / Reserve Bank of India / authorized dealer or appropriate authority, for its approval under the provisions of the Foreign Exchange Management Act, 1999, for the issue and allotment of Equity Shares in the Transferee Company to non-resident shareholder of the Transferor Company in accordance with the provisions of the Scheme.

24. CANCELLATION OF EQUITY SHARES OF THE TRANSFEEE COMPANY

- 24.1. Upon the Scheme becoming effective, the Equity Shares held by the Transferor Company in the Transferee Company shall stand cancelled and accordingly, the Paid-up Equity Share Capital of the Transferee Company shall stand reduced to that extent.
- 24.2. The cancellation and the consequent reduction of the share capital of the Transferee Company as provided in Clause 24.1 shall be done as an integral part of the Scheme and not in accordance with Section 100-101 of the Act as the same does not involve either diminution of liability in respect of any unpaid share capital or payment to any shareholder of any paid-up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction and the Transferee Company will not be required to add the words "And Reduced" after its name.

25. ACCOUNTING TREATMENT

- 25.1 The Transferee Company shall, upon the Scheme coming into effect, record all the assets, liabilities and reserves of the Transferor Company after giving effect to Part II of the Scheme vested in it pursuant to this Scheme, at the book values and in the same form as appearing in the books of the Transferor Company thereof at Appointed Date, in accordance with 'Pooling of Interest Method' laid down by Accounting Standard 14 (Accounting for Amalgamations) prescribed under Companies (Accounting Standards) Rules, 2006, issued by the Institute of Chartered Accountants of India.
- 25.2. The Transferee Company shall credit to its Share Capital Account the aggregate face value of the New Equity Shares issued and allotted pursuant to Clause 23 of this Scheme.
- 25.3. The difference between the value of New Equity Shares issued by the Transferee Company to the members of the Transferor Company and the value of Share Capital of the Transferor Company before the Scheme, shall be debited to Capital Reserve Account in the books of the Transferee Company.
- 25.4. The difference in the value of Investments of Transferor Company held in the shares of Transferee Company, after adjusting the face value pursuant to Clause 24.1, of the Scheme shall be adjusted against Reserves of the Transferee Company.
- 25.5. Balance in Capital Reserve shall be adjusted against the balance in General Reserve Account, taken over from the Transferor Company, in the books of Transferee Company.
- 25.6. Upon the Scheme coming into effect, to the extent, there are inter-corporate loans or balances between the Transferor Company and the Transferee Company, the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of account and records of the Transferee Company for the reduction of any assets or liabilities, as the case may be. For the removal of doubts it is hereby clarified that there would be no accrual of interest or other charges in respect of any such inter-company loans or balances with effect from the Appointed Date.
- 25.7. In case of any difference in accounting policy between the Transferor Company and the Transferee Company, the impact of the same till the amalgamation will be quantified and adjusted in the General Reserve of the Transferee Company to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policies.

25.8. Notwithstanding the above, the Board of Directors of the Transferee Company, in consultation with its statutory auditors, is authorized to (a) account any of these or other balances or items in any manner whatsoever, as may be deemed fit or (b) to make such adjustments as may be necessitated including reclassification of assets.

26. TREATMENT OF TAXES

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

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

27. DISSOLUTION OF TRANSFEROR COMPANY

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

28. COMBINATION AND RECLASSIFICATION OF AUTHORIZED CAPITAL

28.1 Upon the Scheme becoming effective and on transfer of part of Authorised Capital of the Transferor Company to the Resulting Company as aforesaid in Clause 10, the residual Authorised Capital transferred to Transferee Company. The Authorised Share Capital of the Transferee Company shall automatically stand increased without any further act on the part of the Transferee Company including payment of stamp duty and registration fees payable to the Registrar of Companies, by clubbing the Authorised Share Capital of the Transferor Company which is Rs. 6,00,00,000 (Rupees Six Crores only) divided into 60,00,000 Equity shares of Rs. 10/- each.

28.2 Consequent to the clubbing of the Authorised Share Capital of the Transferor Company with the Transferee Company, the Authorised Share Capital of the Transferee Company shall be increased to Rs. 46,00,00,000 (Rupees Forty Six Crores only) which shall be reclassified and divided into 23,00,00,000 Equity Shares of Rs. 2/- each.

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

Clause V of the Memorandum of Association

“The Authorised Share Capital of the Company is Rs. 46,00,00,000 (Rupees Forty Six Crores only) divided into 23,00,00,000 Equity Shares of Rs. 2/- each. The Company has power from time to time to increase or reduce its capital and to divide the shares in the capital for the time being into several classes, and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such right, privilege or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Association of the Company.”

Article 6 of the Article of Association:

“The Authorised Share Capital of the Company is Rs. 46,00,00,000 (Rupees Forty Six Crores only) divided into 23,00,00,000 (Twenty Three Crores) Equity Shares of Rs. 2/- (Rupee Two Only) each.”

PART IV

GENERAL TERMS AND CONDITIONS

29. DIVIDEND, PROFIT AND BONUS/RIGHTS SHARES

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

30. APPLICATION TO HIGH COURT OR SUCH OTHER COMPETENT AUTHORITY

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

31. MODIFICATION OR AMENDMENTS TO THE SCHEME

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

32. DATE OF TAKING EFFECT AND OPERATIVE DATE

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

33. SCHEME CONDITIONAL ON APPROVAL / SANCTIONS

The Scheme is conditional upon and subject to the following:

- 33.1 The approval by the requisite majorities of the classes of persons of KBIL, PHL and KOEL as may be directed by the Hon'ble High Court under Section 391 of the Act.
- 33.2 The sanction of the Hon'ble High Court of Judicature at Bombay being obtained under Sections 391 and 394 read with Section 100 to 105 and other relevant provisions of the Act, as required on behalf of the KBIL, PHL and KOEL from the Hon'ble High Court.
- 33.3 The requisite consents, approvals or permissions if any of the Government Authority or any other Statutory Agencies (including RBI) Stock Exchanges, SEBI which by law may be necessary for the implementation of this Scheme.
- 33.4 In terms of SEBI Circular dated 4th February 2013 bearing No.CIR/CFD/DIL/05/2013 and further Circular dated 21st May 2013 bearing No. CIR/CFD/DIL/8/2013 approval of shareholders of KBIL and KOEL shall be obtained by special resolution passed through postal ballot / e-voting after disclosure of all material facts in

the explanatory statement in relation to such resolution and such resolution shall be acted upon only if the votes cast by public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it.

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

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

34. EFFECT OF NON-RECEIPT OF APPROVALS

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

35. COSTS, CHARGES & EXPENSES

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

CONFIDENTIAL

September 2, 2014

Board of Directors
Kirloskar Brothers Investments Limited
13/A Karve Road
Kothrud, Pune – 411038
Maharashtra, India

Board of Directors
Kirloskar Oil Engines Limited
Laxmanrao Kirloskar Road,
Khadki, Pune – 411003
Maharashtra, India

Dear Members of the Board:

I. Engagement Background

We have been informed that the Board of Directors of Kirloskar Brothers Investments Limited (“KBIL/ Transferor Company”) and Kirloskar Oil Engines Limited (“KOEL/ Transferee Company”) are considering the following composite scheme of arrangement and amalgamation under section 391-394 of the Companies Act, 1956:

- a) Demerger of “Undertaking” consisting mainly of travel services business done in its own name and Silk business and Compression Systems and Transmission Products business done through its subsidiaries into ABC Ltd. (ABC Ltd. is yet to be incorporated as on date of this fairness report)
- b) Amalgamation of residual undertaking of KBIL with KOEL

The scheme envisages that there is a demerger of the Undertaking mainly consisting of travel services done in its own name and Silk business and Compression Systems and Transmission Products business into ABC Ltd. (which is a new company under incorporation as a 100% subsidiary of the Transferor Company) and an amalgamation of the residual undertaking of KBIL with the Transferee Company as per terms and conditions more fully set forth in the Composite Scheme of Arrangement to be placed before the Board for their approval.

In consideration for the demerger of the Undertaking of KBIL into ABC Ltd. (a wholly owned subsidiary of KBIL which is yet to be incorporated) pursuant to the Composite Scheme of Arrangement,



Axis Capital Limited (Erstwhile ‘Axis Securities and Sales Limited’)

SEBI Merchant Banker Regn No. MB/INM000012029 Member Of: BSE Ltd. & National Stock Exchange of India Ltd., Mumbai.
CIN No. U51900MH2005PLC157853

Regd. Office: Axis House, 8th Floor, Wadia International Centre, P. B. Marg, Worli, Mumbai – 400 025 &
Corp. Office: Axis House, C-2, Wadia International Centre, P.B. Marg, Worli, Mumbai – 400 025

for every 1 (One) equity share of the face value of Rs. 10 (Rupees Ten) each held by the shareholders of the Transferor Company, ABC Ltd shall issue and allot 1 (One) equity share of the face value of Rs. 10 (Rupees Ten) each fully paid up (hereinafter referred to as the “Share Entitlement Ratio”)

And

In consideration of the amalgamation of the residual KBIL into the Transferee Company pursuant to the Composite Scheme of Arrangement,

for every 5 (Five) equity shares of the face value of Rs. 10 (Rupees Ten) each held by the shareholders of the Transferor Company, the Transferee Company shall issue and allot 76 (Seventy Six) equity shares of the face value of Rs. 2 (Rupees Two) each fully paid up (hereinafter referred to as the “Share Swap Ratio”).

In connection with the aforesaid, you requested our Fairness Opinion (“Opinion”) as of the date hereof, as to the fairness of the Share Entitlement Ratio and Share Swap Ratio to the Equity Shareholders of the Transferor Company and Transferee Company.

II. Scheme of Arrangement

This Scheme of Arrangement provides for:

- (i) Demerger of the Undertaking consisting mainly of travel services business done in its own name and Silk business and Compression Systems and Transmission Products business done through its subsidiaries into ABC Ltd
- (ii) Amalgamation of residual KBIL to KOEL pursuant to Section 391 to 394 and other applicable provisions of the Companies Act, 1956;

III. Basis of Opinion

In discussions with the management of the Transferor and Transferee Companies, it was indicated that since the Transferor has several commercial activities/businesses (held through its various investments) which are distinct and diverse from each other, the demerger of the



Undertaking will ensure focused management attention and resources and skill set allocation and the amalgamation of residual KBIL with KOEL will provide greater flexibility to the shareholders of KBIL.

A brief history of each of the aforesaid companies is as under –

- a) Kirloskar Brothers Investments Limited was incorporated on 16th April, 2009, under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number of Kirloskar Brothers Investments Limited is L65999PN2009PLC133794. The registered office of Kirloskar Brothers Investments Limited is situated at 13/A, Karve Road, Kothrud, Pune 411038. The main object of the Company is to make strategic investments in the Kirloskar Group Companies. The shares of Kirloskar Brothers Investments Limited are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).
- b) ABC Ltd. is a new company under incorporation under the Companies Act, 2013, in the State of Maharashtra.
- c) Kirloskar Oil Engines Limited was incorporated on 12th January, 2009, under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number of Kirloskar Oil Engines Limited is L29120PN2009PLC133351. The registered office of Kirloskar Oil Engines Limited is situated at Laxmanrao Kirloskar Road, Khadki, Pune 411003. Kirloskar Oil Engines Limited is in the business of manufacturing and selling of diesel engines, agricultural pumpsets and generating sets. The shares of Kirloskar Oil Engines Limited are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

The key features of the Scheme provided to and relied upon by us for framing an Opinion on Share Entitlement Ratio and Share Swap Ratio are as under:

1. Upon the Scheme becoming effective, all the assets and liabilities of the Demerged Undertaking will stand transferred from the Transferor Company to ABC Ltd.
2. As consideration for the transfer, equity shares in ABC Ltd. shall be issued to all the equity shareholders of the Transferor Company and all the shareholders of the Transferor Company shall become shareholders of ABC Ltd.



The block contains a handwritten signature in black ink and a circular stamp. The stamp is a blue ink seal with the text 'MILITARY' at the top and 'MILITARY' at the bottom, with 'MILITARY' in the center. There is also a small square mark to the right of the stamp.

3. The shareholding pattern of ABC Ltd. will be the mirror image of the shareholding pattern of KBIL as there will be a cancellation of the incorporation equity capital of ABC Ltd.
4. Post the amalgamation of residual KBIL with Transferee Company, the equity Shares held by the Transferor Company in the Transferee Company shall stand cancelled and all the equity shareholders of the Transferor Company will get equity shares in Transferee Company as per the Share Swap Ratio.
5. The said equity shares in Transferee Company to be issued to the shareholders of Transferor Company shall rank pari passu in all respect with the existing equity shares of the Transferee Company.
6. The Share Entitlement Ratio and Share Swap Ratio are based on a Valuation report dtd September 1, 2014 submitted by M/s Haresh Upendra & Co, Chartered Accountants.

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of "fairness" for purposes of this Opinion.

IV. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the Transferee Company and Transferor Company including the Valuation Report dtd. September 1, 2014 prepared by Haresh Upendra & Co , Chartered Accountants. and a Draft of the Scheme of Arrangement.

We have relied upon the accuracy and completeness of all information and documents provided to us, including

- (a) the audited Balance Sheets of the Transferor and Transferee Company as on March 31, 2014 as provided to us
- (b) Shareholding Pattern of Transferor Company & Transferee Company as on 30th June 2014
- (c) Assets & Liabilities of the Demerged Undertaking and residual undertaking of KBIL as on March 31,2014



- (d) Management Representation Letter
- (e) Other information, explanations and representations provided by the management of Transferor Company & Transferee Company on various matters considered relevant.

We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. Additionally, we were also provided with other representations and information from the management. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Transferor Company and / or its subsidiaries or the Transferee Company and / or its subsidiaries. In particular, we do not express any opinion as to the value of any asset of the Transferor Company and / or its subsidiaries or the Transferee Company and / or its subsidiaries, whether at current prices or in the future.

No investigation of the Companies claim to title of assets has been made by us for the purpose of this exercise and the Companies claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the account. Therefore, no responsibility whatsoever is assumed for matters of a legal nature. Our report is not and should not be constructed as our opining or certifying the compliance of the proposed scheme of arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed merger.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover, in this case where shares of the Transferee Company are being issued as consideration to the shareholders of Transferor Company, it is not the absolute per share values that are important for framing an opinion but the relative per share value of the Transferee Company vis-a-vis the Transferor Company.

We do not express any opinion as to the price at which shares of the Transferee Company may trade at any time, including subsequent to the date of this Opinion. In rendering our Opinion, we have assumed, that the Scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary Regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the



Transferor Company and / or its subsidiaries, Transferee Company and / or its subsidiaries and their respective Shareholders. We express no opinion and have assumed that the Merger will not trigger obligations to make open offers under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, or delisting offers under the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.

Our opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance matters, shareholder rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the scheme of merger other than the fairness, from financial point of view, of the Share Entitlement Ratio and Share Swap Ratio.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on the Transferor Company and / or its subsidiaries, Transferee Company and / or its subsidiaries and their respective shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Transferee Company has obtained such advice as it deemed necessary from qualified professionals. In addition, we express no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the Scheme, or class of such persons, relative to the Entitlement Ratio or otherwise.

We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the demerger of the undertaking from the Transferor Company and the amalgamation of the residual undertaking of the Transferor Company with the Transferee Company as contemplated in the Scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

In the past, Axis Capital Limited and its affiliates (together, the "Axis Capital Group") have provided financial advisory services to the Kirloskar Group and has received fees for the rendering of these services.

We have in the past provided, and may currently or in the future provide, investment banking services to the Transferee Company and/or its subsidiaries or their respective affiliates and to the Kirloskar Group that are unrelated to the proposed Scheme, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective



businesses, affiliates of Axis Capital Ltd. may actively trade securities of the Transferee Company and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of the Transferee Company and Transferor Company in connection with its consideration of the Scheme and for none other. Neither Axis Capital Ltd., nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

Our fee for our services will be payable on delivery of this report and is not contingent on the successful completion of the Scheme. In addition, KBIL and KOEL have agreed to reimburse certain of our expenses and indemnify us against certain liabilities arising out of our engagement.

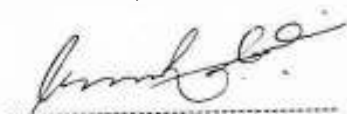
Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.

V. Conclusion

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Entitlement Ratio and Share Swap Ratio is fair to all the Equity shareholders of the Transferor and Transferee Company. We will issue a final fairness opinion once the incorporation of the wholly owned subsidiary of KBIL (viz ABC Ltd or such other name as may be approved by the Registrar of Companies, Pune, Maharashtra) is completed.

Very truly yours,

For Axis Capital Ltd.



Lalit Ratadia
Managing Director
Investment Banking



CONFIDENTIAL

September 23, 2014

Board of Directors
Kirloskar Brothers Investments Limited
13/A Karve Road
Kothrud, Pune – 411038
Maharashtra, India

Board of Directors
Kirloskar Oil Engines Limited
Laxmanrao Kirloskar Road,
Khadki, Pune – 411003
Maharashtra, India

Dear Members of the Board:

This is in connection with our Fairness Report dated September 2, 2014 wherein we had provided that our final fairness opinion will be issued once the wholly owned subsidiary of Kirloskar Brothers Investments Limited (“KBIL” / Transferor Company”) has been incorporated.

We have been informed that Pneumatic Holdings Limited has been incorporated on September 16, 2014 and accordingly we are issuing this Final Fairness Report.

I. Engagement Background

We have been informed that the Board of Directors of Kirloskar Brothers Investments Limited (“KBIL/ Transferor Company”) and Kirloskar Oil Engines Limited (“KOEL/ Transferee Company”) are considering the following composite scheme of arrangement and amalgamation under section 391-394 of the Companies Act, 1956:

- a) Demerger of “Undertaking” consisting mainly of travel services business done in its own name and Silk business and Compression Systems and Transmission Products business done through its subsidiaries into Pneumatic Holdings Limited.
- b) Amalgamation of residual undertaking of KBIL with KOEL

The scheme envisages that there is a demerger of the Undertaking mainly consisting of travel services done in its own name and Silk business and Compression Systems and Transmission Products business into Pneumatic Holdings Ltd. (a new company incorporated as a 100% subsidiary of the Transferor Company) and an amalgamation of the residual undertaking of KBIL



Axis Capital Limited (Erstwhile “Axis Securities and Sales Limited”)

SEBI Merchant Banker Regn No.:MB/INM000012029 Member Of: BSE Ltd. & National Stock Exchange of India Ltd., Mumbai
CIN No. U51900MH2005PLC157853

Regd. Office: Axis House, 8th Floor, Wadia International Centre, P. B. Marg, Worli, Mumbai – 400 025 &

Corp. Office: Axis House, C-2, Wadia International Centre, P.B. Marg, Worli, Mumbai – 400 025.

Tel.: (022) 4325 1199, Fax No. (022) 4325 3000, Website: www.axiscapital.co.in



with the Transferee Company as per terms and conditions more fully set forth in the Composite Scheme of Arrangement to be placed before the Board for their approval.

In consideration for the demerger of the Undertaking of KBIL into Pneumatic Holdings Ltd. (a wholly owned subsidiary of KBIL) pursuant to the Composite Scheme of Arrangement,

for every 1 (One) equity share of the face value of Rs. 10 (Rupees Ten) each held by the shareholders of the Transferor Company, Pneumatic Holdings Ltd shall issue and allot

1 (One) equity share of the face value of Rs. 10 (Rupees Ten) each fully paid up (hereinafter referred to as the "Share Entitlement Ratio")

And

In consideration of the amalgamation of the residual KBIL into the Transferee Company pursuant to the Composite Scheme of Arrangement,

for every 5 (Five) equity shares of the face value of Rs. 10 (Rupees Ten) each held by the shareholders of the Transferor Company, the Transferee Company shall issue and allot

76 (Seventy Six) equity shares of the face value of Rs. 2 (Rupees Two) each fully paid up (hereinafter referred to as the "Share Swap Ratio").

In connection with the aforesaid, you requested our Fairness Opinion ("Opinion") as of the date hereof, as to the fairness of the Share Entitlement Ratio and Share Swap Ratio to the Equity Shareholders of the Transferor Company and Transferee Company.

II. Scheme of Arrangement

This Scheme of Arrangement provides for:

- (i) Demerger of the Undertaking consisting mainly of travel services business done in its own name and Silk business and Compression Systems and Transmission Products business done through its subsidiaries into Pneumatic Holdings Ltd
- (ii) Amalgamation of residual KBIL to KOEL pursuant to Section 391 to 394 and other applicable provisions of the Companies Act, 1956;



III. Basis of Opinion

In discussions with the management of the Transferor and Transferee Companies, it was indicated that since the Transferor has several commercial activities/businesses (held through its various investments) which are distinct and diverse from each other, the demerger of the Undertaking will ensure focused management attention and resources and skill set allocation and the amalgamation of residual KBIL with KOEL will provide greater flexibility to the shareholders of KBIL.

A brief history of each of the aforesaid companies is as under –

- a) Kirloskar Brothers Investments Limited was incorporated on 16th April, 2009, under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number of Kirloskar Brothers Investments Limited is L65999PN2009PLC133794. The registered office of Kirloskar Brothers Investments Limited is situated at 13/A, Karve Road, Kothrud, Pune 411038. The main object of the Company is to make strategic investments in the Kirloskar Group Companies. The shares of Kirloskar Brothers Investments Limited are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).
- b) Pneumatic Holdings Ltd. is a new company incorporated under the Companies Act, 2013, in the State of Maharashtra on 16th September 2014.
- c) Kirloskar Oil Engines Limited was incorporated on 12th January, 2009, under the Companies Act, 1956, in the State of Maharashtra. The Corporate Identity Number of Kirloskar Oil Engines Limited is L29120PN2009PLC133351. The registered office of Kirloskar Oil Engines Limited is situated at Laxmanrao Kirloskar Road, Khadki, Pune 411003. Kirloskar Oil Engines Limited is in the business of manufacturing and selling of diesel engines, agricultural pumpsets and generating sets. The shares of Kirloskar Oil Engines Limited are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).



The key features of the Scheme provided to and relied upon by us for framing an Opinion on Share Entitlement Ratio and Share Swap Ratio are as under:

1. Upon the Scheme becoming effective, all the assets and liabilities of the Demerged Undertaking will stand transferred from the Transferor Company to 16th September 2014
2. As consideration for the transfer, equity shares in Pneumatic Holdings Ltd. shall be issued to all the equity shareholders of the Transferor Company and all the shareholders of the Transferor Company shall become shareholders of 16th September 2014
3. The shareholding pattern of Pneumatic Holdings Ltd will be the mirror image of the shareholding pattern of KBIL as there will be a cancellation of the incorporation equity capital of Pneumatic Holdings Ltd
4. Post the amalgamation of residual KBIL with Transferee Company, the equity Shares held by the Transferor Company in the Transferee Company shall stand cancelled and all the equity shareholders of the Transferor Company will get equity shares in Transferee Company as per the Share Swap Ratio.
5. The said equity shares in Transferee Company to be issued to the shareholders of Transferor Company shall rank pari passu in all respect with the existing equity shares of the Transferee Company.
6. The Share Entitlement Ratio and Share Swap Ratio are based on a Valuation report dtd September 1, 2014 submitted by M/s Haresh Upendra & Co, Chartered Accountants.

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of "fairness" for purposes of this Opinion.



IV. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the Transferee Company and Transferor Company including the Valuation Report dtd. September 1, 2014 prepared by Hareh Upendra & Co , Chartered Accountants. and a Draft of the Scheme of Arrangement.

We have relied upon the accuracy and completeness of all information and documents provided to us, including

- (a) the audited Balance Sheets of the Transferor and Transferee Company as on March 31, 2014 as provided to us
- (b) Shareholding Pattern of Transferor Company & Transferee Company as on 30th June 2014
- (c) Assets & Liabilities of the Demerged Undertaking and residual undertaking of KBIL as on March 31,2014
- (d) Management Representation Letter
- (e) Other information, explanations and representations provided by the management of Transferor Company & Transferee Company on various matters considered relevant.

We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. Additionally, we were also provided with other representations and information from the management. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Transferor Company and / or its subsidiaries or the Transferee Company and / or its subsidiaries. In particular, we do not express any opinion as to the value of any asset of the Transferor Company and / or its subsidiaries or the Transferee Company and / or its subsidiaries, whether at current prices or in the future.

No investigation of the Companies claim to title of assets has been made by us for the purpose of this exercise and the Companies claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the account. Therefore, no responsibility whatsoever is assumed for matters of a legal nature. Our report is not and should not be constructed as our opining or certifying the



compliance of the proposed scheme of arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed merger.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover, in this case where shares of the Transferee Company are being issued as consideration to the shareholders of Transferor Company, it is not the absolute per share values that are important for framing an opinion but the relative per share value of the Transferee Company vis-a-vis the Transferor Company.

We do not express any opinion as to the price at which shares of the Transferee Company may trade at any time, including subsequent to the date of this Opinion. In rendering our Opinion, we have assumed, that the Scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary Regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Transferor Company and / or its subsidiaries, Transferee Company and / or its subsidiaries and their respective Shareholders. We express no opinion and have assumed that the Merger will not trigger obligations to make open offers under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, or delisting offers under the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.

Our opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance matters, shareholder rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the scheme of merger other than the fairness, from financial point of view, of the Share Entitlement Ratio and Share Swap Ratio.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on the Transferor Company and / or its subsidiaries, Transferee Company and / or its subsidiaries and their respective shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Transferee Company has obtained such advice as it deemed necessary from qualified professionals. In addition, we express no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the Scheme, or class of such persons, relative to the Entitlement Ratio or otherwise.





We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the demerger of the undertaking from the Transferor Company and the amalgamation of the residual undertaking of the Transferor Company with the Transferee Company as contemplated in the Scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

In the past, Axis Capital Limited and its affiliates (together, the "Axis Capital Group") have provided financial advisory services to the Kirloskar Group and has received fees for the rendering of these services.

We have in the past provided, and may currently or in the future provide, investment banking services to the Transferee Company and/or its subsidiaries or their respective affiliates and to the Kirloskar Group that are unrelated to the proposed Scheme, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of Axis Capital Ltd. may actively trade securities of the Transferee Company and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of the Transferee Company and Transferor Company in connection with its consideration of the Scheme and for none other. Neither Axis Capital Ltd., nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

Our fee for our services will be payable on delivery of this report and is not contingent on the successful completion of the Scheme. In addition, KBIL and KOEL have agreed to reimburse certain of our expenses and indemnify us against certain liabilities arising out of our engagement.

Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.





V. Conclusion

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Entitlement Ratio and Share Swap Ratio is fair to all the Equity shareholders of the Transferor and Transferee Company.

Very truly yours,

For Axis Capital Ltd.



Lalit Ratadia
Managing Director – M&A Advisory

10/11/2017



KIRLOSKAR OIL ENGINES LIMITED

Enriching Lives

ANNEXURE III

Complaints report pertaining to the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited (KBIL – Transferor Company) and Pneumatic Holdings Limited (PHL – Resulting Company) and Kirloskar Oil Engines Limited (KOEL – Transferee Company)

Part A

Sr. No.	Particulars	Number
1.	Number of complaints received directly	NIL
2.	Number of complaints forwarded by Stock Exchanges	NIL
3.	Total Number of complaints/comments received (1+2)	NIL
4.	Number of complaints resolved	NIL
5.	Number of complaints pending	NIL

Part B

Sr. No.	Name of complainant	Date of complaint	Status (Resolved/Pending)
1.	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
2.	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
3.	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

For Kirloskar Oil Engines Limited

Smita Raichurkar
Assf. Company Secretary



Annexure - IV

DCS/AMAL/MA/24(f)/230/2014-15

December 03, 2014

The Company Secretary
KIRLOSKAR OIL ENGINES LTD.
Laxmanrao Kirloskar Road,
Khadki, Pune-411003,
Maharashtra.

Dear Sir / Madam,

Sub: Observation letter regarding the Scheme of Arrangement Between Kirloskar Brothers Investments Ltd. & Pneumatic Holdings Ltd. & Kirloskar Oil Engines Ltd.

We are in receipt of Scheme of Arrangement of Kirloskar Brothers Investments Ltd. & Pneumatic Holdings Ltd. & Kirloskar Oil Engines Ltd.

The Exchange has noted the confirmation given by the Company stating that the scheme does not in any way violate or override or circumscribe the provisions of the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act, 1956, the rules, regulations and guidelines made under these Acts, and the provisions of the Listing Agreement or the requirements of BSE Limited (BSE).

As required under SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 & SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013; SEBI has vide its letter dated December 02, 2014, given the following comment(s) on the draft scheme of arrangement:

- ***The company shall make necessary amendment in sub clause 33.4 of the draft scheme of the draft scheme of arrangement to give effect to submission made vide email dated October 20, 2014 regarding voting by public shareholders of KBIL and KOEL through postal ballot and e-voting.***
- ***Company shall duly comply with various provisions of the Circulars.***

Accordingly, we hereby convey Exchange's 'No-objection' with limited reference to those matters having bearing on listing/ delisting/ continuous listing requirements within the provisions of the Listing Agreement, so as to enable you to file the scheme with the Hon'ble High Court.

Further, you are also advised to bring the contents of this letter to the notice of your shareholders, all relevant authorities as deemed fit, and also mention the same in your application for approval of the scheme of arrangement submitted to the Hon'ble High Court.

The Exchange reserves its right to withdraw its No-objection/approval at any stage if the information submitted to the Exchange is found to be incomplete / incorrect / misleading / false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines/Regulations issued by statutory authorities.

Further pursuant to the above SEBI circulars upon sanction of the Scheme by the Hon'ble High Court, the listed company shall submit to the stock exchange the following:

- a. Copy of the High Court approved Scheme;
- b. Result of voting by shareholders for approving the Scheme;
- c. Statement explaining changes, if any, and reasons for such changes carried out in the Approved Scheme vis-à-vis the Draft Scheme;
- d. Status of compliance with the Observation Letter/s of the stock exchanges;
- e. The application seeking exemption from Rule 19(2)(b) of SCRR, 1957, wherever applicable; and
- f. Complaints Report as per Annexure II of this Circular.

Yours faithfully,


Nitin Pujari
Manager


Lalit Phatak
Asst. Manager

Ref: NSE/LIST/6127

December 04, 2014

The Asst. Company Secretary
Kirloskar Oil Engines Limited
Laxmanrao Kirloskar Road,
Khadki, Pune- 411003.

Annexure - V

Kind Attn.: Ms. Smita Raichurkar

Dear Madam,

Sub: Observation letter for draft Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors.

This has reference to draft Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited submitted to NSE vide your letter dated September 29, 2014.

Based on our letter reference no Ref: NSE/LIST/3260 submitted to SEBI and pursuant to SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 04, 2013 and SEBI Circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013, SEBI has vide letter dated December 02, 2014, has given following comments on the draft Composite Scheme of Arrangement and Amalgamation:

"1. The Company shall make necessary amendment in sub clause 33.4 of the draft scheme of arrangement to give effect to submission made vide email dated October 20, 2014 regarding voting by public shareholders of Kirloskar Brothers Investments Limited and Kirloskar Oil Engines Limited through postal ballot and e-voting.

2. The Company shall duly comply with various provisions of the Circulars."

Accordingly, we do hereby convey our 'No-objection' with limited reference to those matters having a bearing on listing/delisting/ continuous listing requirements within the provisions of the Listing Agreement, so as to enable the Companies to file the Scheme with Hon'ble High Court.

However, the listing of equity shares of Pneumatic Holdings Limited on the National Stock Exchange India Limited shall be subject to SEBI granting relaxation under Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957 and compliance with the requirements of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 04, 2013. Further, Pneumatic Holdings Limited shall comply with SEBI Act, Rules, Regulations, directions of the SEBI and any other statutory authorities and Rules, Byelaws and Regulations of the Exchange.

The Company should also fulfil the Exchange's criteria for listing such company and also comply with other applicable statutory requirements. However, the listing of shares of Pneumatic Holdings Limited is at the discretion of the Exchange.

The listing of Pneumatic Holdings Limited, pursuant to the Scheme of Arrangement shall be subject to SEBI approval & Company satisfying the following conditions:



1. To submit the Information Memorandum containing all the information about Pneumatic Holdings Limited and its group companies in line with the disclosure requirements applicable for public through website of the Company.
2. To publish an advertisement in the newspaper containing all the information about Pneumatic Holdings Limited in line with the details required as per SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 04, 2013. The advertisement should draw a specific reference to the aforesaid Information Memorandum available on the website of the company as well as NSE.
3. To disclose all material information about Pneumatic Holdings Limited to NSE on the continuous basis so as to make the same public, in addition to the requirements, if any, specified in Listing Agreement for disclosure about the subsidiaries.
4. The following provision shall be incorporated in the scheme:
 - (a) "The shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange."
 - (b) "There shall be no change in the shareholding pattern or control in Pneumatic Holdings Limited between the record date and the listing which may affect the status of this approval."

However, the Exchange reserves its rights to withdraw this No-objection approval at any stage if the information submitted to the Exchange is found to be incomplete/ incorrect/ misleading/ false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines / Regulations issued by statutory authorities.

The validity of this "Observation Letter" shall be six months from December 04, 2014, within which the Scheme shall be submitted to the Hon'ble High Court. Further pursuant to the above SEBI circulars upon sanction of the Scheme by the Hon'ble High Court, you shall submit to NSE the following:

- a. Copy of Scheme as approved by the High Court;
- b. Result of voting by shareholders for approving the Scheme;
- c. Statement explaining changes, if any, and reasons for such changes carried out in the Approved Scheme vis-à-vis the Draft Scheme
- d. Status of compliance with the Observation Letter/s of the stock exchanges
- e. The application seeking exemption from Rule 19(2)(b) of SCRR, 1957, wherever applicable; and
- f. Complaints Report as per Annexure II of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013.

Yours faithfully,
For National Stock Exchange of India Limited

Kamlesh Patel
Manager

P.S. Checklist for all the Further Issues is available on website of the exchange at the following URL
http://www.nseindia.com/corporates/content/further_issues.htm

This Document is Digitally Signed



Signer: Patel Kamlesh
Date: Thu, Dec 4, 2014 15:30:30 GMT+05:30
Location: NSE

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY SUMMONS FOR DIRECTION NO. 934 OF 2014.

In the matter of the Companies Act, I of 1956

AND

In the matter of Sections 391 to 394 read with Section 100
to 105 of the Companies Act, 1956.

AND

In the matter of the Composite Scheme of Arrangement
and Amalgamation between Kirloskar Brothers
Investments Limited and Pneumatic Holdings Limited
and Kirloskar Oil Engines Limited and their respective
shareholders and creditors.

Kirloskar Oil Engines Limited,)
a Company incorporated under the)
Companies Act, 1956 and having its)
Registered Office, at Laxmanrao)
Kirloskar Road, Khadki, Pune 411 003.) APPLICANT

FORM OF PROXY

I/We, the undersigned, being the Equity Shareholder(s) of the Applicant Company hereby appoint _____ of _____ or failing him / her _____ of _____ as my / our proxy, to attend for me / us on my / our behalf at the meeting of the Equity Shareholders to be held at S. M. Joshi Socialist Foundation (S.M. Joshi Hall), S. No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030 on Wednesday, 18 February 2015 at 2.00 p.m. for the purpose of considering and, if thought fit, approving with or without modification(s), the arrangement embodied in the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited and Pneumatic Holdings Limited and Kirloskar Oil Engines Limited and their respective shareholders and creditors at such meeting and at 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 below after "Composite Scheme of Arrangement and Amalgamation ") the said Scheme of Arrangement either with or without modification as my/our proxy may approve.

*(strike out what is not necessary)

Dated this ____ day of _____, 2015

Name: _____ Address: _____ Folio No. _____ Client ID No. _____ DP ID No. _____ No. of Share(s): _____	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Affix Re 1.00 Revenue Stamp</div> <p>Signature(s) across the Stamp</p>
--	--

Signature of Shareholder(s): _____ Sole Holder / First Holder _____ Second Holder _____ Third Holder

Signature of Proxyholder(s): _____

Notes:

1. Please affix Revenue Stamp before putting Signature.
2. Proxy must be deposited at the Registered Office of the Applicant Company, not later than Forty-Eight hours before the meeting.
3. In case of multiple proxies, proxy later in time shall be accepted.
4. All alterations made in the Form of Proxy should be initialed.
5. Proxy need not be a shareholder of the Applicant Company.

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KIRLOSKAR OIL ENGINES LIMITED

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune- 411 003.

CIN: L29120PN2009PLC133351

Ph. No. 020 - 25810341, Fax No. 020 - 2581 3208

Website: www.koel.co.in

Email: investors@kirloskar.com

ATTENDANCE SLIP

SHAREHOLDERS ATTENDING THE MEETING IN PERSON OR BY PROXY ARE REQUESTED TO COMPLETE THE ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Folio No.	
DP ID.	
Client ID.	
No. of shares held	

Name of Equity shareholder	
Address of Equity Shareholder	
Name of the Proxy (in Block letters)	

I hereby record my presence at the Meeting of the Equity Shareholders of the Applicant Company, convened pursuant to order dated 19th day of December 2014 of the High Court of Judicature at Bombay at S. M. Joshi Socialist Foundation (S.M. Joshi Hall), S. No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030 on Wednesday, 18 February 2015 at 2.00 p.m.

Signature of Equity Shareholder / Proxy holder : _____

Notes:

1. Shareholder / Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting.
2. Shareholder / Proxy holder desiring to attend the meeting should bring his/her copy of the Notice for reference at the meeting.

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