

COMPOSITE SCHEME OF ARRANGEMENT

BETWEEN

VARELI TRADING COMPANY LIMITED

AND

SURAT TEXTILE MILLS LIMITED

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

**(UNDER SECTIONS 230 TO 232 READ WITH SECTION 66 OF THE
COMPANIES ACT, 2013)**



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PREAMBLE

This composite scheme of arrangement (hereinafter referred to as the '**Scheme**') provides for i) the amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited and ii) reduction of equity share capital of Surat Textile Mills Limited pursuant to the provisions of Sections 230 to 232, Section 66 and other applicable provisions of the Companies Act, 2013 and rules made thereunder. The Scheme also provides for other matters consequential thereto and/or otherwise integrally connected therewith including but not limited to (i) issue of equity shares by the Transferee Company to the respective shareholders of the Transferor Company and (ii) the dissolution of the Transferor Company without winding up.

DESCRIPTION OF COMPANIES

- A. Vareli Trading Company Limited is a public limited Company incorporated under the Companies Act, 1956 (CIN U65910GJ1987PLC009405), having its registered office at Dr Amichand Shah Wadi, Rampura Tunki, Surat - 395003, Gujarat, India (herein after referred to as "**VTCL**" or ("**Transferor Company**"). VTCL is primarily engaged in the business of trading in all types of textiles fabrics including finished, yarn and grey textile fabrics. It is the promoter company of the Transferee Company.
- B. Surat Textile Mills Limited is a public limited Company incorporated under the Indian Companies Act, 1913 (CIN L17119GJ1945PLC000214), having its registered office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat - 395010, Gujarat, India (herein after referred to as "**STML**" or "**Transferee Company**"). STML, is engaged in the business of manufacturing, cleaning, spinning, bleaching, knitting, dyeing in all kinds of chips and yarn, fibers and intermediaries, textiles, fabrics, etc.



The equity shares of STML are listed on the Bombay Stock Exchange Limited. (BSE).

RATIONALE OF THE SCHEME

Under this scheme of arrangement, all the Assets & Liabilities of VTCL will be taken over by STML. The scheme is envisaged to provide following benefits:

- (1) The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company.
- (2) It will be helpful to achieve the benefits of the synergy of large scale operations.
- (3) This amalgamation will improve the financial strength of the combined entity.

In view of the abovementioned reasons, it is considered desirable and expedient to implement the proposed scheme of arrangement.

DEFINITIONS & SHARE CAPITAL

1. DEFINITIONS

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

- 1.1 **"Act"** or **"The Act"** means the Companies Act, 2013 or any statutory modification or reenactment thereof;
- 1.2 **"The Appointed Date"** means 01st April, 2019 or such other date as the National Company Law Tribunal at Ahmedabad may direct;
- 1.3 **"Applicable Law(s)"** means (a) all the applicable statutes, notification, enactments, act of legislature, listing agreement, bye-laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or other instructions having force of law enacted or issued by any Appropriate Authority



including any statutory modifications or re-enactment thereof for the time being in force (b) administrative interpretations, writs, injunctions, directions, directives, judgments, arbitral awards, decree, orders, or governmental approvals of, or agreement with , any relevant authority, as may be in force from time to time;

- 1.4 **“Tribunal”** shall mean the National Company Law Tribunal, Ahmedabad Bench. .
- 1.5 **“Transferor Company”** means Vareli Trading Company Limited, a public limited Company incorporated under the Companies Act, 1956 having its registered office at Dr Amichand Shah Wadi, Rampura Tunki, Surat – 395003, Gujarat, India;
- 1.6 **“Transferee Company”** means Surat Textile Mills Limited, a public limited Company incorporated under the Companies Act, 1956, having its registered office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat – 395010, Gujarat, India;
- 1.7 **“The Effective Date”** means the date on which certified copies of the Order passed by the National Company Law Tribunal sanctioning the scheme are filed with the Registrar of Companies, Gujarat at Ahmedabad after obtaining the consents, approvals, permissions, resolutions, agreements, sanctions and orders necessary therefore.

Reference in the Scheme to the date of **“Coming into effect of this Scheme”** or **“Upon the Scheme being effective”** shall mean the effective date.

- 1.8 **“Record Date”** means the date to be fixed by the Board of Directors of the Companies for the purpose of determining the members of



the Companies to whom shares will be issued and allotted pursuant to the Scheme and.

1.9 **"Scheme"**, **"the Scheme"** and **"this Scheme"**, means the present Scheme of Arrangement in its present form or with any modifications or amendments approved, imposed or directed by the National Company Law Tribunal, Stock Exchanges and/or SEBI,.

1.10 **"Stock Exchanges"** shall mean BSE Limited where equity shares of STML are currently listed.

1.11 **'Undertaking'** shall mean and include all the assets, rights and properties (hereinafter referred to as "the said Assets") and all the debts, liabilities, duties and obligations (hereinafter referred to as "the said Liabilities") of the Transferor Company as on the Appointed Date. Without prejudice to the generality of above, the undertaking of the Transferor Company shall include:

(i) All immovable properties i.e. land together with the buildings and structures standing thereon (whether freehold, leasehold, leave and licensed, right of way, tenancies or otherwise) of the Transferor Company and all documents (including panchnamas, declarations, receipts) of title, rights and easements in relation thereto and all rights, covenants, continuing rights, title and interest in connection with the said immovable properties;

(ii) all assets, as are movable in nature of the Transferor Company, whether present or future or contingent, tangible or intangible, in possession or reversion, corporeal or incorporeal (including plant and machinery, furniture,



fixtures, office equipments, communication facilities, installations, vehicles), actionable claims, earnest monies and sundry debtors, financial assets, outstanding loans and advances, recoverable in cash or in kind or for value to be received, provisions, receivables, funds, cash and bank balances and deposits including accrued interest thereto with Government, semi-Government, local and other authorities and bodies, banks, customers and other persons, the benefits of any bank guarantees, performance guarantees;

- (iii) all the investments, being the investments in subsidiaries Companies, joint venture Companies, associate Companies, Partnership firms or investments of any other nature of the Transferor Company.
- (iv) all permits, licenses, permissions including municipal permissions, right of way, approvals, clearances, consents, benefits, registrations, rights, entitlements, credits, certificates, awards, sanctions, allotments, quotas, no objection certificates, exemptions, concessions, liberties and advantages (including those granted/issued/given by any governmental, statutory or regulatory or local or administrative bodies for the purpose of carrying on the business of the Transferor Company or in connection therewith) including those relating to privileges, powers, facilities of every kind and description of whatsoever nature and the benefits thereto that pertain exclusively to the Transferor Company;
- (v) all contracts, agreements, service orders, operation and maintenance contracts, memoranda of understanding, memoranda of undertakings, memoranda of agreements,



memoranda of agreed points, minutes of meetings, bids, tenders, expression of interest, letter of intent, hire and purchase arrangements, lease/license agreements, tenancy rights, agreements/panchnamas for right of way, equipment purchase agreements, agreement with customers, purchase and other agreements with the supplier/manufacturer of goods/service providers, other arrangements, undertakings, deeds, bonds, schemes, concession agreements, insurance covers and claims, clearances and other instruments of whatsoever nature and description, whether written, oral or otherwise and all rights, title, interests, claims and benefits there under of the Transferor Company;

- (vi) all applications (including hardware, software, licenses, source codes, para-meterisation and scripts), registrations, goodwill, licenses, trade names, trademarks, service marks, copy rights, patents, domain names, designs, trade secrets, research and studies, technical knowhow, confidential information and all such rights of whatsoever description and nature of the Transferor Company;
- (vii) all rights to use and avail telephones, telexes, facsimile, email, internet, leased line connections and installations, utilities, electricity and other services, reserves, provisions, funds, benefits of assets or properties or other interests held in trusts, registrations, contracts, engagements, arrangements of all kind, privileges and all other rights, easements, liberties and advantages of whatsoever nature and wheresoever situated belonging to or in the ownership, power or possession and in control of or vested in or granted in favour of or enjoyed by the Transferor Company or in



connection with or relating to the Transferor Company and all other interests of whatsoever nature belonging to or in the ownership, power, possession or control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Transferor Company;

- (viii) all books, records, files, papers, engineering and process information, software licenses (whether proprietary or otherwise), test reports, computer programmes, drawings, manuals, data, databases including databases for procurement, commercial and management, catalogues, quotations, sales and advertising materials, product registrations, dossiers, product master cards, lists of present and former customers and suppliers including service providers, other customer information, customer credit information, customer/supplier pricing information, and all other books and records, whether in physical or electronic form of the Transferor Company;
- (ix) all debts (whether secured or unsecured), borrowings including loans and borrowings from banks/financial institutions, obligations, duties and liabilities including contingent liabilities of the Transferor Company;
- (x) all legal or other proceedings of whatsoever nature of the Transferor Company.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as prescribed to them under the Companies Act, 1956/2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Income Tax Act, 1961 and other applicable laws, rules, regulations, bye laws, as the case may be, including



any statutory modification or re-enactment thereof from time to time.

SHARE CAPITAL OF THE COMPANIES

2. The authorized, issued, subscribed and paid-up share capital of the Transferor Company and Transferee Company are as under:

2.1 The Share Capital of the Transferor Company(VTCL) as on 31.12.2018 is as under:

Authorized Share Capital	Amount (INR)
10,00,000 Equity Shares of Rs. 10/- each	1,00,00,000
80,00,000 1% Non-Cumulative Optionally Convertible Preference Shares of Rs. 10/- each	8,00,00,000
Total	9,00,00,000
Issued, Subscribed and Paid up Share Capital	
1,48,906 Equity Shares of Rs. 10/- each	14,89,060
Total	14,89,060

The authorized, issued, subscribed and paid-up share capital of Transferor Company (VTCL) is the same as above as on the date of Board meeting sanctioning the Scheme.

2.2 The Share Capital of the Transferee Company (STML) as on 31.12.2018 is as under:

Authorized Share Capital	Amount (INR)
75,00,00,000 Equity Shares of Re. 1/- each	75,00,00,000
Total	75,00,00,000



Issued, Subscribed and Paid up Share Capital	
22,20,64,440 Equity Shares of Re. 1/- each	22,20,64,440
Total	22,20,64,440

The authorized, issued, subscribed and paid-up share capital of Transferee Company (STML) is the same as above as on the date of Board meeting sanctioning the Scheme. The Transferor Company holds around 34.94% in share capital of Transferee Company.

AMALGAMATION AND VESTING OF ASSETS AND LIABILITIES

3. With effect from the opening of business as on the Appointed Date, the Undertaking shall, without any further act or deed, be and the same shall stand transferred to and vested in or deemed to have been transferred to or vested in the Transferee Company pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 and also in accordance with section 2(1B) of the Income Tax Act, 1961, without any further act or deed, as per the provisions contained herein and in this scheme.

3.1 All immovable properties i.e. land together with the buildings and structures standing thereon (whether freehold, leasehold, leave and licensed, right of way, tenancies or otherwise) of the Transferor Company and all documents (including panchnamas, declarations, receipts) of title, rights and easements in relation thereto and all rights, covenants, continuing rights, title and interest in connection with the said immovable properties;

3.2 All assets, as are movable in nature of the Transferor Company, whether present or future or contingent, tangible or intangible, in possession or reversion, corporeal or incorporeal (including plant and machinery, furniture, fixtures, office equipments, communication



facilities, installations, vehicles), actionable claims, earnest monies and sundry debtors, financial assets, outstanding loans and advances, recoverable in cash or in kind or for value to be received, provisions, receivables, funds, cash and bank balances and deposits including accrued interest thereto with Government, semi-Government, local and other authorities and bodies, banks, customers and other persons, the benefits of any bank guarantees, performance guarantees;

- 3.3 All the investments, being the investments in subsidiaries Companies, joint venture Companies, associate Companies, Partnership firms or investments of any other nature of the Transferor Company.
- 3.4 All the Liabilities, obligations including the charges or encumbrances on assets/undertaking, guarantees given, of the Transferor Company, shall, without any further act or deed, be and stand transferred, to the Transferee Company, pursuant to the applicable provisions of the said Act, so as to become as from the Appointed Date, the debts, liabilities, duties and obligations of the Transferee Company. The consent of any third party or other person who is a party to any contract or arrangement by virtue of which debts, liabilities, duties and obligations liabilities have arisen, in order to give effect to the provisions of this Clause & Scheme. Provided however that this shall not mean or result into enhancing the security for any loan, deposit or obligation created by the Transferor Company. The Transferee Company shall not be obliged to create any further or additional security therefore.
- 3.5 All taxes (including but not limited to advance tax, tax deducted at source, minimum alternate tax, any tax credits, securities transaction tax, taxes withheld/paid in a foreign country, value added tax, sales tax, excise service tax, etc) payable by or refundable to the Transferor Company, including all or any refunds or claims shall be treated as



the tax liability or refunds/claims, etc., as the case may be, of the Transferee Company, and any tax incentives, advantages, privileges, exemptions, benefits, credits, holidays, remissions, reductions, etc., as would have been available to the Transferor Company, shall upon the Scheme being effective, be available to the Transferee Company.

- 3.6 Upon the Scheme being effective, the Transferee Company shall be entitled to claim refunds or credits, including input tax credit, with respect to taxes paid by, for, or on behalf of, the Transferor Company, under applicable laws, including income tax (including tax losses), minimum alternate tax, sales tax, value added tax, service tax, CENVAT or any other tax, whether or not arising due to any inter se transaction, even if the prescribed time limits for claiming such refunds or credits have lapsed.
- 3.7 Upon the coming into effect of the Scheme, all tax compliances under any tax laws by the Transferor Company on or after Appointed Date shall be deemed to be made by the Transferee Company.
- 3.8 Upon the Scheme being effective, any advance tax, self-assessment tax, minimum alternate tax and/or TDS credit available or vested with the Transferor Company, including any taxes paid and taxes deducted at source and deposited by the Transferee Company on inter se transactions during the period between the Appointed Date and the Effective Date shall be treated as advance tax paid by the Transferee Company and shall be available to the Transferee Company for set-off against its liability under the Income-tax Act, 1961 and any excess tax so paid shall be eligible for refund together with interest. Any TDS certificates issued by the Transferee Company to, or for the benefit of, the Transferor Company under the Income-tax Act, 1961 with respect to the inter se transactions would be available to the Transferee Company to seek refund of from the tax authorities in compliance with



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law. Further, TDS deposited, TDS certificates issued or TDS returns filed by the Transferor Company on transactions other than inter se transactions during the period between the Appointed Date and the Effective Date shall continue to hold good as if such TDS amounts were deposited, TDS certificates were issued and TDS returns were filed by the Transferee Company. Any TDS deducted by, or on behalf of, the Transferor Company on inter se transactions will be treated as advance tax deposited by the Transferee Company.

- 3.9 The Transferee Company is also expressly permitted to claim refunds, credits, including restoration of input CENVAT credit, tax deduction in respect of nullifying of any transaction between the Transferor Company and the Transferee Company.
- 3.10 Provided that upon the Scheme being effective, the Transferee Company is also expressly permitted to reopen and revise its financial accounts for any relevant year, income tax returns, withholding tax returns, service tax returns, value added tax returns, sales tax returns, excise and CENVAT returns, and any other statutory returns and filings under the tax laws, notwithstanding that the period of filing/revising such return may have lapsed to obtain TDS certificates, including TDS certificates relating to transactions between the Transferor Company and the Transferee Company, and to claim refunds, advance tax and withholding tax credits, etc., pursuant to the provision of this Scheme.
- 3.11 It is hereby provided that such accounts can be reconstructed notwithstanding anything contained in any other law in force and it shall become operative on the scheme being effective by virtue of the fact that the NCLT, while approving the scheme as a whole, have also resolved and accorded the relevant consents as required respectively under Section 131 of the Companies Act, 2013 or any other provisions



of the Act and it is deemed that the reconstruction of accounts have been made in compliance with section 131 of the Companies Act, 2013.

4. COMPLIANCE WITH SECTION 2(1B) OF THE INCOME-TAX ACT, 1961

The provisions of this Scheme as they relate to the amalgamation of VTCL, with and into STML, have been drawn up to comply with the conditions relating to "Amalgamation" as specified under the tax laws, including section 2(1B) and other relevant sections of the Income tax Act, 1961. If any terms or provisions of this Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date, whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. This Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. The power to make such amendments as may become necessary shall vest with the Board of Directors of VTCL and STML, which power shall be exercised reasonably in the best interests of the companies concerned.

5. BUSINESS AND PROPERTY IN TRUST AND CONDUCT OF BUSINESS OF VTCL FOR STML

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

5.1 VTCL shall be carrying on and be deemed to have been carrying on all business and activities and shall hold and stand possessed of and shall be deemed to hold and stand possessed of all assets, rights, title, interest, authorities, contracts, investments and strategic decisions for and on account of, and in trust for STML;

5.2 All income or profits accruing or arising to VTCL, or all costs, charges, expenses or losses arising or incurred by it (including the effect of taxes, if any, thereon), shall, for all purposes, be treated as profits,



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income, costs, charges, expenses, taxes or losses, as the case may be, of STML;

- 5.3 It is clarified that any advance tax paid / TDS credits / TDS certificates received by VTCL shall be deemed to be the advance tax paid by / TDS credit / TDS certificate of STML.
- 5.4 All assets howsoever acquired by VTCL for carrying on its business, operations or activities and the liabilities relating thereto shall be deemed to have been acquired and are also contracted for and on behalf of STML.
- 5.5 STML shall also be entitled, pending sanction of the Scheme, to apply to the Central Government, State Government, and all other agencies, department and statutory authorities concerned, wherever necessary, for such consents, approvals and sanctions which STML may require including the registration, approvals, exemptions, relieves, etc., as may be required / granted under any law for the time being in force for carrying on business of VTCL.
- 5.6 Without prejudice to the above, VTCL from the date of filing this Scheme with the NCLT up to and including the Record Date shall not make any change in its capital structure, whether by way of increase (by issue of equity shares on a rights basis, bonus shares or otherwise) decrease, reduction, reclassification, sub-division or consolidation, reorganization, or in any other manner which may, in any way, affect the Share Exchange Ratio except under any of the following circumstances:
- (i) By mutual consent of the respective Board of Directors of VTCL and STML; or
 - (ii) By way of any obligation already subsisting as on the date of filing this Scheme with the NCLT.



- 5.7 The transfer of assets, properties, liabilities or Undertaking(s) and the continuance of proceedings by or against VTCL shall not affect any transaction or proceedings already concluded by VTCL on or after the Appointed Date to the end and intent that STML accepts and adopts all acts, deeds things done and executed by VTCL in regard thereto as done executed by STML on behalf of itself.
- 5.8 VTCL undertakes that it will preserve and carry on the business with diligence and utmost business prudence and agrees that it will not, without prior written consent of STML, alienate, charge, mortgage or encumber or otherwise deal with or dispose of any assets or any part thereof or recruit new employees (in each case except in the ordinary course of business) or conclude settlements with union or employees without the concurrence of STML or undertake substantial expansion or change the general character of the business; and
- 5.9 VTCL and/or STML shall be entitled, pending sanction of the Scheme, to apply to the Central/State Government(s), regulatory/local/administrative bodies and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which STML may require to carry on the business of VTCL.

6. **CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS**

- 6.1 Subject to the other provisions contained in the Scheme, all contracts, deeds, bonds, debentures, agreements and other instruments of whatever nature to which VTCL is party, subsisting or having effect immediately before the effective date shall remain in full force and effect against or in favour of STML,



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as the case may be, and may be enforced as fully and as effectually as if, instead of VTCL, STML had been a party thereto.

6.2 It is clarified that in case of any such instruments including contracts, deeds, bonds, debentures etc, wherever required, STML shall amend or modify such instrument etc, as may be appropriate, by appending, attaching or affixing thereto such addendum, stickers, papers, supplementary modification deeds etc with or without affixing the Common Seal of the Company, to denote and signify STML as a party thereto stepping instead and in place of VTCL. Further, STML shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of VTCL and to implement or carry out all formalities required on the part of VTCL to give effect to the provisions of this Scheme.

7. LEGAL PROCEEDINGS

If any suit, writ petition, appeal, revision or claims or action before any statutory or quasi-judicial authority or tribunal other proceedings of whatever nature(hereinafter called "the Proceedings") by or against VTCL be pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the amalgamation of VTCL or of anything contained in the Scheme, but the Proceedings may be continued, prosecuted and enforced by or against STML in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against any of VTCL as if the Scheme had not been made. On and from the effective date, STML shall and may initiate any legal proceedings for and on behalf of VTCL.

8. STAFF, WORKMEN AND EMPLOYEES OF VTCL



All the staff, workmen and other employees in the service of VTCL immediately before the amalgamation under the Scheme shall become the staff, workmen and employees of STML on the basis that –

- 8.1 Their service shall be continuous and shall not be interrupted by reason of the amalgamation;
- 8.2 The terms and conditions of service applicable to the said staff, workmen or employees after such amalgamation shall not in any way be less favorable to them than those Applicable to them immediately before the amalgamation; and
- 8.3 It is expressly provided that as far as Provident Fund, Gratuity Fund, Superannuation Fund or any other Fund created or existing for the benefit of the staff, workmen and other employees of VTCL are concerned, upon the Scheme becoming effective, STML shall stand substituted for VTCL for all purposes whatsoever related to the administration or operation of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with provisions of such Funds as per the terms provided in the respective Trust Deeds. It is the aim and intent that all the rights, duties, powers and obligations of VTCL in relation to such Funds shall become those of STML and all the rights, duties and benefits of the employees of VTCL under such Funds and Trusts shall be protected. It is clarified that the services of the employees of VTCL will also be treated as having been continuous for the purpose of the aforesaid Funds or provisions.

CONSIDERATION AND ACCOUNTING TREATMENT



9. ISSUE OF THE CONSIDERATION BY STML

- 9.1 Upon the Scheme being effective, in consideration of the amalgamation of and vesting of VTCL in STML and in terms of the Scheme, STML shall, without any further application, act, instrument or deed, issue and allot to the equity shareholders of VTCL (whose names are registered in the Register of Members of VTCL on the Record Date, or his /her/its legal heirs, executors or administrators or, as the case may be, successors), equity shares of face value Re. 1/- (Rupees one) each credited as fully paid up of STML in the ratio of 521 equity shares of the face value of Re. 1/- (Rupees one) each of STML for every 1 equity share of Rs. 10/- (Rupees Ten) of VTCL credited as fully paid-up held on the Record Date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in VTCL (the "New Equity Shares").
- 9.2 The new equity shares issued and allotted by STML in terms of the scheme shall be subject to the provisions of the memorandum and articles association of STML and shall rank pari-passu in all respects.
- 9.3 On the amalgamation of VTCL with STML, all the investment (including 7,75,80,026 number of the equity shares of STML), being held by VTCL, shall be cancelled off and the same shall amount to Reduction of Share Capital of STML to that extent, as envisaged in clause 11 hereinunder. However, considering the issue of new shares to the shareholders of VTCL, there will not be any Net Reduction in the share capital of STML.
- 9.4 The issue and allotment of new equity shares to the members of VTCL pursuant to clause 9.1 of this Scheme is an integral part of



the scheme. The approval of this scheme by the members of STML shall be deemed to be due compliance with all applicable provisions of the Companies Act 2013 including but not limited to Section 62(1) (c) of the Companies Act 2013 if applicable for the issue and allotment of new equity shares by STML to the members of VTCL.

- 9.5 Where equity shares of STML are to be allotted to heirs, executors or administrators or, as the case may be, to successors of deceased equity shareholders of VTCL, the concerned heirs, executors, administrators or successors shall be obliged to produce evidence of title, satisfactory to the Board of Directors of STML.
- 9.6 In the event that STML or VTCL restructures its equity share capital by way of share split / consolidation / issue of bonus shares / fresh allotment of securities or other similar action at any time before the record date during the pendency of the Scheme, the Share Exchange Ratio shall be adjusted appropriately and the same shall be approved by the Boards of both STML and VTCL. Shares to be issued by STML to the shareholders of VTCL under this chapter, shall automatically be listed on the stock exchanges.

10. ACCOUNTING TREATMENT IN THE BOOKS OF TRANSFEREE

- 10.1 Upon this scheme becoming effective, STML shall record the assets and liabilities of VTCL as transferred to STML pursuant to this scheme, at their respective book values thereof.
- 10.2 STML shall follow the method of accounting as prescribed for the "Pooling of Interest Method" under Ind AS 103 Business Combination as notified under the Companies (Indian Accounting Standard) Rules, 2015.



- 10.3 The face value of equity shares issued by STML to the shareholders of VTCL pursuant to this scheme will be recorded as equity share capital of STML.
- 10.4 The identity of the reserves of VTCL, shall be preserved and they shall appear in the financial statements of STML in the same manner and form, in which they appeared in the financial statements of VTCL respectively, prior to this scheme becoming effective. Accordingly, if prior to this scheme becoming effective there is any reserve in the financial statements of VTCL available for distribution whether as bonus shares or dividend or otherwise, the same would also be available in the financial statements of STML for such distribution pursuant to this scheme becoming effective.
- 10.5 All inter - Company payables, receivables (including loans, advances etc.) and balances between VTCL and STML including investment of VTCL into STML shall be cancelled and STML shall accordingly not record any of such payables, receivables and balances in its books.
- 10.6 The difference between the assets and liabilities of VTCL to be transferred pursuant to this scheme to the STML and Reserves & Surplus of the VTCL, after making the adjustment for the clause 10.5 and 10.6, and value of consideration shall be adjusted against the balance of Capital Reserve.

11. RESTRUCTURE IN THE FORM OF CAPITAL REDUCTION OF THE TRANSFEREE COMPANY

- 11.1 Upon the Scheme being effective, 7,75,80,026 shares held by VTCL, the Transferor Company, in STML, the Transferee Company, shall stand cancelled by operation of law as the consequence of



amalgamation. The issued, subscribed and paid up share capital of STML shall stand reduced from Rs. 22,20,64,440/- to Rs. 14,44,84,414/-, i.e to the extent of Rs. 7,75,80,026/-

11.2 The above referred reduction of equity share capital being consequential in nature is proposed to be effected as an integral part of the Scheme. The approval of the members and creditors of the Transferee Company to the proposed Scheme shall be deemed to be their approval under the provisions of Section 66 of the Companies Act, 2013 and all other applicable provisions of the Act and the Transferee Company shall not be required to undertake any separate proceedings for the same. The order of the Hon'ble NCLT sanctioning the Scheme shall be deemed to be an Order under subsection (3) of the Section 66 of the Companies Act, 2013. In view of the same, the Transferee Company shall not be required to separately comply with Section 66 of the Companies Act, 2013 or any other provisions of Companies Act, 1956 or Companies Act, 2013.

11.3 However, considering the issue of new shares as envisaged in Clause 9.1, there will not be any net reduction in the Issued, Subscribed and Paid up Share Capital of STML, the Transferee Company and it Transferee shall not be required to add "And Reduced" after its name.

12. DISSOLUTION OF THE TRANSFEROR COMPANY

Upon this Scheme becoming effective, VTCL shall be dissolved without winding up pursuant to the provisions of Section 232 of the Act.

13. VALIDITY OF EXISTING RESOLUTIONS, ETC

Upon the coming into effect of the Scheme, the resolutions of VTCL as are considered necessary by the Board of Directors of STML which are validly subsisting be considered as resolutions of STML. If any such resolutions have any monetary limits approved under the provisions of the Act or of any other applicable statutory provisions, then said limits, as are



considered necessary by the Board of Directors of STML, shall be added to the limits, if any, under the like resolutions passed by STML.

14. CONSOLIDATION AND RESTRUCTURE OF SHARE CAPITAL AND AMENDMENT TO MEMORANDUM OF ASSOCIATION OF STML

14.1 CONSOLIDATION OF AUTHORIZED SHARE CAPITAL

14.1.1 Upon the scheme being effective, the Authorized Share Capital of VTCL being Rs. 1,00,00,000/- (Rupees One Crores only) towards Equity Share Capital and Rs. 8,00,00,000/- (Rupees Eight Crores only) towards Preference Share Capital shall be consolidated with the Authorized Share Capital of STML, without any further act or deed and without any further payment of the stamp duty or the registration fees.

14.1.2 The consolidated Capital shall be reclassified as follows:

- (i) 1,00,00,000 equity shares having Face Value of Re. 1 per share
- (ii) 8,00,00,000 equity shares having Face Value of Re. 1 per share

14.2 Consequently, Clause V of the Memorandum of Association of STML shall be replaced as under:

Clause V of Memorandum of Association: -

"The Authorized Share Capital of the Company is Rs. 84,00,00,000/- [Rupees Eighty Four Crores only] divided into 84,00,00,000 Equity Shares of Re. 1/- [Rupees One only] with such rights, privileges and conditions attached thereto as may be determined by the General Meetings at the time of issue. The Company has and shall always have the power to divide the Share capital from time to time and to vary, modify and abrogate any rights, privileges, conditions attached to the Share in such a



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manner as may from the time being provided in the regulations of the Company”.

- 14.3 Under the accepted principle of Single Window Clearance, it is hereby provided that the above referred amendment of Memorandum of Association of STML, viz. Change in the Capital Clause and its reclassification shall become operative as an integral part of the scheme. The consent of the shareholders of the Transferee Company to this Scheme shall be deemed to be sufficient for the purposes of effecting the above amendment to the Memorandum of Association of the Transferee Company and no further resolution under Section 13 of the Act and any other applicable provisions of the Act and rules and regulations framed thereunder would be required to be separately passed, nor shall the Transferee Company be required to pay any additional registration fees, stamp duty, etc.



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15. **APPLICATIONS TO NATIONAL COMPANY LAW TRIBUNAL**

The Companies shall, with all reasonable dispatch, make joint petitions to the National Company Law Tribunal at Ahmedabad pursuant to Sections 230 to 232 read with other applicable provisions of the Companies Act, 2013, as may be applicable, from time to time, for holding/dispensing with the meetings of the shareholders and/or Creditors of all the Companies and obtaining one or more orders sanctioning this scheme and carrying this scheme into effect.

16. **MODIFICATIONS/AMENDMENTS TO THE SCHEME**

16.1 The Board of Directors of the Companies may assent from time to time, on behalf of all persons concerned including the shareholders, to any modifications or amendments or additions to the Scheme or to any conditions or limitations which either the Board of Directors of the Companies may deem fit or which the NCLT and/or any competent Authority, if any, under the law may deem fit, to approve of or impose and which the Board of Directors of the Companies may in their discretion, deem fit, and to resolve all doubts or difficulties that may arise in carrying out and implementing this Scheme and to do all acts, instruments, deeds, matters and thing necessary or to review position relating to the satisfaction of the conditions of this Scheme and if necessary, to waive any of those (to the extent permissible under law) for bring the scheme into effect. In the event of any of the conditions that may be imposed by the NCLT or other authorities including the SEBI and the Stock Exchanges, which the Companies may find unacceptable for any reason, whatsoever, then the Companies are at liberty to withdraw the Scheme. The aforesaid powers of the Companies may be exercised by their respective Board of Directors, or a committee of the concerned Board of Directors, or



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any director authorized in that behalf by the concerned Board of Directors.

- 16.2 For the purpose of giving effect to the Scheme or to any modifications or amendments thereof, or additions thereto, the delegate(s) of the Companies may give and hereby authorized to determine and give all such directions as are necessary including directions for settling or removing any question of doubt or difficulty that may arise and such determination or directions, as the case may be, shall be binding on all parties in the same manner as if the same were specifically incorporated in this Scheme.
- 16.3 Notwithstanding clause 16.1 and 16.2 above, the Companies (acting through their respective Board of Directors) shall be at liberty to withdraw or modify the Scheme for the reason of any condition or alteration imposed by the NCLT or any other governmental/regulatory authority not being acceptable to them.

17. **CONDITIONALITY OF THE SCHEME**

The effectiveness of the Scheme is conditional upon and subject to:

- 17.1 The Scheme being approved by the respective requisite majorities of the various classes of Shareholders and creditors of the Companies as required under the Act.
- 17.2 The sanction of the National Company Law Tribunal under Section 230 to 232 of the said Act whether with or without any modifications and amendments as the Tribunal may deem fit, in favor of the Companies and to the necessary Orders under Section 232 of the said Act, being obtained.
- 17.3 The Scheme being submitted to Securities Exchange Board of India.
- 17.4 No Objection Certificate(s) to the Scheme being given by the stock exchanges on which the shares of STML are listed.



17.5 Certified copies of the orders of the NCLT being filed by the Companies with the Registrar of Companies having jurisdiction over each of such Company.

17.6 The approval of the public shareholders of the STML in accordance with the provisions of the SEBI circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended from time to time) issued in this behalf. Such approval of public shareholders will be obtained through postal ballot and e-voting, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution, and the Scheme shall be acted upon only if the votes casted by public shareholders in favour of the Scheme are more than the number of votes casted by public shareholders against it.

18. COST, CHARGES AND EXPENSES

All costs, charges, taxes including duties, levies and all other expenses, if any, arising out of/or incurred in securing approvals and sanctions for the Scheme and matters incidental thereto shall be borne and paid by VTCL. However the cost, charges, fees, duties and expenses payable to the Exchanges and to the Ministry of Corporate Affairs pertaining to the share capital of STML, shall be borne and payable by STML.

19. APPROVALS/SANCTIONS NOT FORTHCOMING

In the event any of the approvals and sanctions under the Scheme are not obtained, completed or forthcoming, the Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as in contemplated hereunder, or as to any right, liability or obligation which has arisen and accrued pursuant thereto and which shall be preserved or worked out as specifically provided in the Scheme or as may otherwise arise in law.



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