IDFC

July 4, 2015

The Manager – Listing Department
National Stock Exchange of India Limited
Bandra Kurla Complex
Bandra (E)
Mumbai-400051

The Manager – Listing Department
BSE Limited
1st Floor, P. J. Towers,
Dalal Street,
Mumbai 400 001

Dear Sirs,

**Sub: Scheme of Arrangement between IDFC Limited ("Transferor Company") and IDFC Bank Limited ("Transferee Company") and their respective shareholders and creditors under Section 391 to 394 of the Companies Act, 1956.**

In continuation of our letter dated June 30, 2015 informing you that the Hon'ble High Court of Judicature at Madras, vide its Order dated June 25, 2015, has approved the Scheme of Arrangement (Demerger) between IDFC Limited and IDFC Bank Limited and their respective shareholders and creditors, please find enclosed herewith signed copy of the sanction order of Hon'ble High Court of Madras for your information and records.

Thanking you,

Yours faithfully,
For IDFC Limited

Ketan Kulkarni
Director - Secretarial

IDFC Limited Mumbai

CERTIFIED TRUE COPY
FOR IDFC LIMITED

AUTHORISED SIGNATORY



IN THE HIGH COURT OF JUDICATURE AT MADRAS

(ORIGINAL JURISDICTION)

Thursday, the 25th day of June, 2015

THE HON'BLE MRS.JUSTICE PUSHPA SATHYANARAYANA

COMP.PETN.NOS.191 AND 192 OF 2015

In the matter of the Companies Act, 1956;
and
In the matter of Petition under Sections 391 to 394 of the Companies Act, 1956;
and
In the matter of IDFC Limited (CIN No. L65191TN1997PLC037415), a company incorporated under the Companies Act, 1956 and having its Registered Office at KRM Tower, 8th Floor, No.1, Harrington Road, Chetpet, Chennai-600 031, Tamil Nadu, India.
and
In the matter of Scheme of Arrangement among IDFC Limited (Petitioner/Transferor Company) and IDFC Bank Limited (Transferee Company) and their respective Shareholders and Creditors

**C.P.191/2015:**

IDFC Limited (CIN No.L65191TN1997PLC037415) a company incorporated under the Companies Act, 1956 and having its Registered Office at KRM Tower, 8th Floor, No.1, Harrington Road, Chetpet, Chennai-600 031, Tamil Nadu, India. .. Petitioner/ Transferor Company

The Company Petitioner praying this Court

a) That the Scheme of Arrangement among IDFC Limited and IDFC Bank Limited and their respective Shareholders and Creditors, be sanctioned by this Hon'ble Court, so as to be binding on all the shareholders and creditors of the Petitioner/Transferor Company and on the Transferee Company.

b) That direction from this Hon'ble Court to file the sanction order of this Hon'ble Court to the scheme with

the Registrar of Companies, Tamil Nadu within 30 days of final approval from the Reserve Bank of India for undertaking banking operations under the Banking Regulations Act, 1949;

**C.P.192/2015:**

IDFC Bank Limited (CIN No.U65110TN2014PLC097792) a company incorporated under the Companies Act, 2013 and having its Registered Office at KRM Tower, 8th Floor, No.1, Harrington Road, Chetpet, Chennai-600 031, Tamil Nadu, India. .. Petitioner/ Transferee Company

The Company Petitioner praying this Court

a) That the Scheme of Arrangement among IDFC Limited and IDFC Bank Limited and their respective Shareholders and Creditors, be sanctioned by this Hon'ble Court, so as to be binding on all the shareholders and creditors of the Petitioner/Transferee Company and on the Transferor Company. That for a direction from this Hon'ble Court to the Scheme with the Registrar of Companies, Tamil Nadu within 30 days of the receipt of final approval from the Reserve Bank of India for undertaking banking operations under the Banking Regulations Act, 1949;

These Company Petitions coming on this day before this Court for hearing in the presence of Mr.P.Chidambaram Senior Counsel for M/s. Sathish Parasaran, Advocate for the petitioners herein and of Mr.M.Gopikrishnan, Central Government Standing Counsel appearing for Regional Director, Southern Region, Ministry of Corporate Affairs, Chennai, and upon reading the order dated 20/2/2015 made in CP.No.169/2015, whereby the said company viz., IDFC Limited the petitioner company in CP.No.191/2015 herein was directed to convene

a meeting of the equity shareholders of the above named company for the purpose of considering and if thought fit approving with or without modification of the proposed scheme of the Arrangement, and the advertisement having been made in one issue of English Daily News paper viz., "The Hindu Business Line" dated 13/3/2015 and in one issue of Tamil Daily News paper viz., "Makkal Kural" dated 13/3/2015 (both Chennai edition) each containing the advertisement of the said meeting and the report of the Chairman of the said meeting as to the result of the meeting and the report as the Scheme of Arrangement has been filed and upon reading the Company Petitions 191&192/2015 and the affidavit of B.K.Bansal, Regional Director, Southern Region, Ministry of Corporate Affairs, Chennai and the advertisement of the Company Petitions having been made in one issue of English Daily News Paper viz., "Hindu Business Line"dated 21/5/2015 and one issue of Tamil Daily News Paper viz. "Makkal Kural" dated 21/5/2015 (both Chennai Edition) and this having dispensed with the convening, holding and conducting of meeting of the secured creditors, and equity shareholders of the applicant companies by an order dated 20/2/2015 made in CA.No.170&172/2015 and this court dispensed with the requirement of the procedure under Sec 101(2) of the Companies Act 1956 by an order dated 20/2/2015 made in CA.No.171/2015 and the learned Senior Counsel appearing for the petitioners submitted that pursuant to Section 80CCF of the Income Tax Act, a retail tax payer could invest upto a maximum of Rs.20,000/- and the LTIBs were issued for a period of ten years with a lock-in period of five years and in the Scheme of Arrangement, bonds are also transferable and pursuant to the Demerger process, the LTIBs being part of the Financial Undertaking being transferred to the resulting Company, viz., IDFC Bank, as per the RBI New Banking Guidelines, it has become

statutory to convert the secured bonds to unsecured bonds. Learned Senior Counsel also brought to this notice of this Court that the demerged Company has been regularly paying interest to the Bond Holders and also undertakes that it will continue to pay the same. With regard to the non-possibility of transfer of bonds as per the letter dated 23.02.2015 issued by the Department of Financial Services, learned Senior Counsel submitted that it is suffice if the Reserve Bank of India does not raise any objection. During the course of argument, learned Senior Counsel relied on the communication dated May 30, 2014 issued by the Reserve Bank of India wherein it has advised that it has no objection to the IDFC Limited pursuing the option regarding demerger of the lending business of IDFC into the proposed IDFC Bank Limited subject to compliance with the relevant regulations, provisions of the Companies Act, 2013 and necessary approval from Department of Non-Banking Supervision, RBI. Further, the Reserve Bank of India, by its subsequent letter dated February 02, 2015, has communicated the demerged Company that it has no objection to the proposal of conversion of secured bonds to unsecured bonds. As regards the capital gains, the submission of the learned Senior Counsel would be to the effect that the conversion of LTIBs will not attract capital gains because the original issuer is substituted and that the bonds once redeemed, will get their face value as the interest is paid periodically. In case where a person sells the bonds in the secondary or capital market, according to the learned Senior Counsel, it could only be for a price marginally high and that the same will not attract Section 2(47) of the Income Tax Act and this court having observed that since consent affidavits of the equity shareholders as well as No Objection Certificate from the secured creditors and the Board Resolution of the

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demerged Company have been filed, and this Court on 28.4.2015, issued notice in the present petitions, to the Regional Director, Southern Region, Department of Corporate Affairs and the Registrar of Companies. Further more, a notice under Section 80CCF of the Income Tax Act has also been issued to the Long Term Infrastructure Bondholders inviting their intention with regard to the Scheme of Arrangement. It is seen that no objection has been raised by any one of the bondholder and the Regional Director, Ministry of Corporate Affairs has filed his affidavit dated 20th May, 2015 without any objection to the Scheme to the effect that the demerged Company is regular in filing their statutory returns and the first balance sheet of the resulting Company is not yet due besides stating that neither prosecution is filed nor any complaint is pending against the demerged and resulting Companies and that no inspection has been conducted in respect of the Companies. With respect to transfer of LTIBs stated in the letter dated 17.4.2015 by the Ministry of Finance, Government of India and also stated in the objection letters received from some of the bondholders of the LTIBs, the demerged Company has filed an affidavit dated 20th June, 2015 before this Court to the following effect:-

"*(a) That the Scheme does not in any manner affect the terms of the LTIBs with respect to the maturity date, buy-back date, interest rate or the redemption / maturity amount payable.*

*(b) That the networth of the Financing Undertaking (as defined in the Scheme) to be demerged into IDFC Bank Ltd., the resulting Company, will be to the tune of approximately Rs. 6500 Crores on the Effective Date of the Scheme. Further, after the investment by IDFC*

Financial Holding company Ltd., the Non-Operating Financial Holding Company (NOFHC), the total networth of IDFC Bank Limited would be approximately Rs.13,825 Crores, which would be more than sufficient to meet any liability that may arise on account of the repayment of ITIBs.

(c) That the networth of the Residual Undertaking (as defined in the Scheme) remaining with IDFC Ltd., the Petitioner / Transferor Company, even if taken on a stand alone basis, would be to the tune of approximately Rs.10,111 Crores."

and there is no objectionable feature in the Scheme of Arrangement (Demerger) detrimental to the (bondholders) employees of the Demerged company or of the Resulting company. The said Scheme is not violative of any statutory provisions. The Scheme is fair, just, sound and is not against any public policy or interest. No proceedings are pending under Sections 231 to 237 of the Companies Act. All the statutory provisions have been complied with and this court doth hereby sanction the Scheme of Arrangement (Demerger) between the Demerged Company with the Resulting Company and their respective shareholders and creditors and with the Registrar of Companies, Tamil Nadu, within 30 days of the receipt of final approval from the Reserve Bank of India for undertaking banking operations under the Banking Regulations Act 1940 and this court doth further order as follows:

(1) That, the Petitioner Companies herein, do file with the Registrar of Companies, Chennai, a certified copy of the order within 30 days from this date.

(2) That, the parties to the Scheme of Arrangement (Demerger) or any other person interested shall be at liberty to apply to this Court for directions that may be necessary in regard for carrying out this Scheme of Arrangement (Demerger) annexed herewith.

(3) That the learned Central Government Standing Counsel be and hereby is entitled to a fee of Rs.5,000/- (Rupees Five Thousand only) from the resulting company.

ANNEXURE:

AW 0018882

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# SCHEME OF ARRANGEMENT

**AMONG**

**IDFC LIMITED** as the Transferor Company

**AND**

**IDFC BANK LIMITED** as the Transferee Company

**AND**

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**(UNDER SECTION 391 TO 394 OF THE COMPANIES ACT, 1956)**

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## Part I: Introductions and Definitions

### 1. OVERVIEW AND OBJECTS OF THIS SCHEME

#### 1.1 Overview

1.1.1 IDFC Limited is a company incorporated under the Companies Act, 1956 having its registered office at KRM Tower, 8th Floor, No.1 Harrington Road, Chetpet, Chennai 600 031 ("**Transferor Company**"). The Transferor Company is regulated by the Reserve Bank of India ("**RBI**") as an 'Infrastructure Finance Company – Non Banking Financial Company' and is a systemically important non-deposit taking non-banking finance company. The Transferor Company is primarily engaged in the business of providing end-to-end project financing and other financial services. The Transferor Company's businesses consists of the lending and financing business undertaking, including project finance (fund based and non-fund based), fixed income and treasury, along with various other activities such as institutional broking, investment banking, asset management and an infrastructure debt fund, which are undertaken through a number of subsidiaries. In addition, it holds windmill operations, investments in non-regulated business entities as well as certain strategic investments. The equity shares of the Transferor Company are listed on the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**").

1.1.2 IDFC Bank Limited is a company incorporated under the Companies Act, 2013 having its registered office at KRM Tower, 8th Floor, No.1 Harrington Road, Chetpet, Chennai 600 031 ("**Transferee Company**"). The Transferee Company has been established as a public limited company to carry out the business of banking pursuant to an in-principle approval granted by the RBI on 9 April 2014 to the Transferor Company for setting up a new bank in the private sector ("**RBI In-Principle Approval**"). The Transferee Company is a wholly owned subsidiary of IDFC Financial Holding Company Limited having its registered office at KRM Tower, 8th Floor, No.1 Harrington Road, Chetpet, Chennai 600 031 ("**IDFC FHCL**"), which in turn, is a wholly owned subsidiary of the Transferor Company.

1.1.3 IDFC FHCL has been incorporated by the Transferor Company in accordance with the conditions set out in paragraph 2(L) of the RBI Guidelines for Licensing of New Banks in the Private Sector dated 22 February 2013 ("**RBI New Banking Guidelines**"), which mandate that a non-operative financial holding company will, for a period of five years, need to hold a minimum of 40% of the shareholding of the bank, i.e., the Transferee Company. The RBI New Banking Guidelines specifically mandate that all new banks are to be set up through a non-operative financial holding company and will need to be categorically structured such that all businesses which a bank is permitted to carry out, will necessarily vest in the new bank and all other regulated financial services entities (regulated by the RBI or other financial sector regulators) will need to be held by such non-operative financial holding company. Accordingly, IDFC FHCL will hold for a period of five years a minimum of 40% of the shareholding of the Transferee Company, as well as exposure in the form of debentures, loans, advances and shares of the other regulated financial services entities being IDFC Asset Management Company Limited, IDFC AMC Trustee Company Limited, IDFC Securities Limited, IDFC Alternatives Limited, IDFC Trustee Company Limited, IDFC Finance Limited and IDFC Infra Debt Fund Limited



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("**IDFC FHCL Subsidiaries**"), which acquisition of shares will occur on or prior to the Effective Date (as defined below).

1.1.4 Pursuant to the RBI New Banking Guidelines, the Transferor Company has been granted the RBI In-Principle Approval to enable it, as a promoter, to set up a new bank in the private sector, i.e., the Transferee Company. Hence, to fulfil the specific terms and conditions of the RBI In-Principle Approval and the conditions set out in the RBI New Banking Guidelines which requires the Transferor Company to transfer the relevant business activities (being the Financing Undertaking as more particularly defined below) to the proposed bank i.e., the Transferee Company, the Transferor Company proposes to realign its businesses to comply with the corporate structure requirements provided in paragraphs 2(C) of the RBI New Banking Guidelines and demerge its Financing Undertaking to the Transferee Company and, outside the purview and ambit of the Scheme, transfer the shares of its regulated financial services entities to IDFC FHCL.

1.1.5 This Scheme seeks to restructure and demerge the Financing Undertaking into the Transferee Company pursuant to the RBI In-Principle Approval granted to the Transferor Company.

1.1.6 Upon the demerger of the Financing Undertaking into the Transferee Company, pursuant to this Scheme becoming effective on the Effective Date, the Transferee Company will issue equity shares to the shareholders of the Transferor Company as of the Record Date (as defined below), in accordance with the Demerger Share Entitlement Ratio (as defined below) approved by the Board of Directors of each of the Transferor Company and the Transferee Company as set out in this Scheme.

1.1.7 The Residual Undertaking (as more particularly defined below), after the demerger of the Financing Undertaking and the transfer of the shares of the IDFC FHCL Subsidiaries shall be retained, managed and operated by the Transferor Company.

1.1.8 In addition, IDFC Alternatives Limited, IDFC Housing Finance Company Limited, IDFC Project Equity Company Limited and IDFC Primary Dealership Company Limited, which are direct and/or indirect subsidiaries of the Transferor Company are separately engaged in a scheme of amalgamation filed before the Hon'ble High Court of Bombay in the State of Maharashtra pursuant to which IDFC Housing Finance Company Limited, IDFC Project Equity Company Limited and IDFC Primary Dealership Company Limited will be merged into IDFC Alternatives Limited.

1.1.9 In addition, IDFC Asset Management Company Limited and IDFC Investment Advisors Company Limited, which are direct and/or indirect subsidiaries of the Transferor Company are separately engaged in a scheme of amalgamation filed before the Hon'ble High Court of Bombay in the State of Maharashtra pursuant to which IDFC Investment Advisors Company Limited will be merged into IDFC Asset Management Company Limited.

1.1.10 The demerger of the Financing Undertaking will be effective *inter alia* upon the receipt of the final approval of the RBI by the Transferee Company for commencing the banking business and the other conditions to effectiveness set out in Clause 5.8 of this Scheme. After the effectiveness of the Scheme, the listing of the securities of the Transferee Company with the NSE and the BSE (where the Transferor Company's



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shares are originally listed) will be undertaken. IDFC FHCL shall remain an unlisted company.

1.1.11 This Scheme is segregated into 5 parts:

(i) Part-I sets forth the overview and objects of this Scheme;

(ii) Part-II sets forth the capital structure of the Transferor Company and the Transferee Company;

(iii) Part-III deals with the demerger of the Financing Undertaking into and with the Transferee Company, in accordance with Sections 391 to 394 of the Companies Act, 1956;

(iv) Part-IV deals with the Residual Undertaking of the Transferor Company; and

(v) Part-V deals with the general terms and conditions applicable and sets forth certain additional arrangements that form a part of this Scheme.

1.2 **Brief overview of the Companies**

1.2.1 IDFC Limited

(i) The Transferor Company is a public limited company incorporated under the Companies Act, 1956 and has its registered office at KRM Tower, 8th Floor, No.1 Harrington Road, Chetpet, Chennai 600 031.

(ii) The Transferor Company is a public financial institution defined under Section 2(72) of the Companies Act, 2013 and is registered with the RBI as an 'Infrastructure Finance Company – Non Banking Finance Company' and is a systemically important non-deposit taking non-banking finance company.

(iii) The objects of the Transferor Company as provided in its memorandum of association are, inter alia:

(a) to carry on the business of acting as a specialised financial institution for the purpose of developing and provision of wide range of financial products and services for the purpose of and in relation to the development and establishment of infrastructure projects and facilities in India, including without limitation provision of various kinds of guarantees and various kinds of credit enhancement and refinancing assurance including market making or provision of liquidity support of various kinds, development, encouragement and participation in securities market for infrastructure financing, development and implementation of various opportunities and schemes for domestic savers to participate in infrastructure development, mobilising capital from domestic and foreign investors including insurance and pension funds and from other financial investors and the management thereof;

(b) to carry on the business of arranging or providing financial assistance independently or in association with any person, Government or any other agencies, whether incorporated or not, in the form of lending or



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advancing money by way of a loan (including long term loan), working capital finance, overdraft, cash credit, refinance or in any other form, whether with or without security to institutions, banks, bodies corporate (whether or not incorporated), firms, associations authorities, bodies, trusts, agencies, societies or any other person or persons engaged in or in connection with either directly or indirectly and whether wholly or in part, for the purposes of infrastructure development work or providing infrastructure facility or engaged in infrastructure activities, which shall include work or facility or providing of services in relation to or in connection with setting up, development, construction, operation, maintenance, modernisation, expansion and improvement of any infrastructure project or facility including roads, highways, railways, airways, waterways, ports, transport systems, bridges, tele-communication and other communication systems, systems for generation or storage or transmission or distribution of power, irrigation and irrigation systems, sewerage, water supply, sanitation, health, tourism, education, oil & gas (excluding exploration), food and agriculture infrastructure and setting up of industrial areas;

(c) to carry on the business of providing, whether in India or abroad, guarantees and counter guarantees, letters of credit, indemnities and other form of credit enhancements to companies engaged in development or financing of infrastructure work or activity, whether by way of personal covenant or by mortgaging or charging all or any part of the undertaking, property or assets of the company, both present and future, wheresoever situate or in any other manner and in particular to guarantee the payment of any principal moneys, interests or other moneys secured by or payable under contracts, obligations, debentures, bonds, debenture stocks, mortgages, charges, repayment of capital moneys and the payments of dividends in respect of stocks and shares or the performance of any other obligations by such companies;

(d) to mobilise capital from financial investors and to manage the investment of such funds in infrastructure projects;

(e) to carry on the business of negotiating loans and advances of all nature, to formulate schemes for the purpose of mobilisation of resources and extension of credit for infrastructure development projects and to act as underwriters to the issue of stocks, shares, bonds, debentures and security of every description of companies engaged wholly or in part in the development or financing of infrastructure development work or activity;

(f) to promote the development of primary and secondary market for shares and securities of various kinds including equity, debt, quasi equity, subordinated debt, derivatives and such other securities as may be permissible, issued by companies engaged in infrastructure development work or projects and to provide assistance in placement of shares and securities by such companies with foreign and local investors, to subscribe to the shares and securities being issued by them



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and to generally do all activities and enter into all kinds of financial arrangements so as to enable mobilising of funds by such companies and ensuring liquidity for the investors investing in shares and securities issued by such companies;

(g) to carry on all or any of the business of producers, manufacturers, generators, suppliers, distributors, transformers, converters, transmitters, processors, developers, stores, procurers, carries and dealers in electricity, all forms of energy and any such products and by-products derived from such business including without limitation, steam, fuels, ash, conversion of ash into bricks and any product derived from or connected with any other form of energy, including, without limitation to conventional sources such as heat, thermal, hydel and/or from non-conventional sources such as tidal wave, wind, solar, geothermal, biological, biogas and CBM or any of the business of purchasers, creators, generators, manufacturers, producers, procurers, suppliers, distributors, converters, processors, developers, storers, carries and dealers in, design or otherwise acquire to use, sell or transfer or otherwise dispose of electricity, steam, oil, gas, hydro or tidal, water, wind, solar, hydrocarbon fuels, fuel handling equipments and machinery and fuel handling facilities thereto and any products or by-products derived from any such business (including without limitation distillate fuel oil and natural gas whether in liquified or vaporized form), or other energy of every kind and description and stoves, cookers, heaters, geysers, biogas, plants, gas and steam turbines, boilers, generators, alternators, diesel generating sets and other energy devices and appliances or every kind and description.

(h) to provide, develop, own, maintain, operate, instruct, execute, carry out, improve, construct, repair, work, administer, manage, control, transfer on Build, Operate and Transfer (BOT), or Build Own, Operate and Transfer (BOOT) or Build, Operate, Lease and Transfer (BOLT) basis or otherwise, make tenders, apply or bid for, acquire, transfer to operating companies in the infrastructure sector, any infrastructure facilities in India or abroad, including but not limited to power, roads, bridges, airports, ports, waterways, rail system, highway projects, water supply projects, pipelines, sanitation and sewerage systems, telecommunication facilities, IT parks, urban infrastructure, housing projects, industrial parks, commercial real estate projects, tourism, healthcare, education, oil and gas, retail logistics, Special Economic Zone (SEZ), mining, warehouses, factories, godowns, water treatment systems, solid waste management systems, steel, cement, other works or convenience of public or private utility involving public or private financial participation, either directly or through any subsidiary or group company and to carry out the business or contractual basis, assign, convey, transfer, lease, auction, sell, the right to collect any rent, toll, compensation, charges or either income from infrastructure projects undertaken by the Company either individually or as joint venture, with any other company/ firm/ individual/ consultant, whether in India or abroad;



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(i) to carry on the business of arranging or providing financial assistance independently or in association with any person in India or abroad, Government or any other agencies, whether incorporated or not, in the form of lending or advancing money by way of a loan (including long term loan), working capital finance, overdraft, cash credit, refinancing, equity or quasi- equity financing or in any other form, whether with or without security to institutions, banks, bodies corporate (whether or not incorporated), firms, associations authorities, bodies, trusts, agencies, societies or any other person or persons engaged in the business of infrastructure of any nature or kind whatsoever, including those referred to in the main Object Clause, retail business, media and entertainment business, equipment manufacturer of any kind, exploration of oil and gas, steel, cement, mining activities and in search, production, refining, processing etc. of coal, tin, ore, oil or other minerals ferrous and non ferrous or their products, co-products, by-products, alloy and derivatives thereof;

(j) to carry on the business of arranging or providing financial assistance independently or in association with any person, Government of any other agencies in India or abroad, whether incorporated or not, in the form of lending or advancing money by way of loan (including long term loan), working capital finance, overdraft, cash credit, refinancing, equity or quasi-equity financing or in any other form, whether with or without security to institution, banks, bodies corporate (whether or not incorporated), firms, associations, authorities, bodies, trusts, agencies, societies or any other person or persons, engaged in the business to retail logistics, SEZ, media, broadcasting, telecasting, relaying, transmitting or distributing in any manner, any audio, video or other programmers or software, communication and dubbing, recording, selling the same in any form;

(k) to act, whether in India or abroad, as Asset Management Company and/or trustees for any type of investment funds, mutual funds and for that purpose to set up, promote, sponsor, settle and execute trusts, devise and manage various schemes for raising funds in any manner from persons, bodies corporate, Trusts, Societies, Association of persons and to deploy, whether in India or abroad, funds raised and earn reasonable returns on their investments and to deal with, engage in any carry out all other functions, incidental thereto and such other activities as may be approved by the Securities and Exchange Board of India and/or other regulatory authorities and to undertake and carry on the functions, duties, activities and business of Asset Management Company and/or Trustees and to undertake and execute trusts of all kinds, whether public or private including declaring the company itself as an Asset Management Company and/ or Trustees in India or abroad and to carry out business of formulating, marketing, rising funds, plans and schemes, including mutual funds schemes and to arrange for the sale, redemption, cancellation, revocation of the unit and to distribute the proceeds thereof among the other unit holders or investors, beneficiaries or all person entitled to the same periodically or



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otherwise in furtherance of any trust direction, discretion or other obligation or permission and generally to carry on what is usually known as trustee business and in particular and without limiting the generality of above, to act as Trustee; and

(l) to carry on business of finance and investment broking, underwriting, sub-underwriting and as consultants for and to purchase, acquire, hold, sell, buy, invest, trade , exchange, deal, barter, borrow, lend, guarantee, give comfort for pledge, hypothecate, charge and deal in investment instrument of all kind and types whether securities or not including shares, stocks, debentures, bonds, cumulative convertible preference shares, certificates of deposit, commercial papers, participation certificates, other securities by original subscription, coupons, warrants option and such other derivatives and other mutual funds or any other securities issued by the Companies, Government, Corporation, Co-operatives, Firms, Trust, Societies, Authorities, whether situated in India or abroad and to carry on financial operations of all kinds including credit rating, bought-out deals placement of shares, hedging. Also, to carry on the business of portfolio management services, Merchant Bankers and Advisors on all aspects of Corporate Financial and Commercial matters, whether in India or abroad.

1.2.2 IDFC Bank Limited

(i) The Transferee Company is a public limited company incorporated under the Companies Act, 2013 and has its registered office at KRM Tower, 8th Floor, No.1 Harrington Road, Chetpet, Chennai 600 031.

(ii) The Transferee Company is authorised to transact the business of banking under the Banking Regulation Act, 1949 and the RBI New Banking Guidelines, subject to the satisfaction of certain conditions prescribed by the RBI pursuant to the RBI In-Principle Approval and the obtaining of the final approval of the RBI for undertaking banking operations.

(iii) The objects of the Transferee Company as provided in its memorandum of association are, inter alia:

(a) to carry on the business of banking that is to say accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise;

(b) to establish and carry on the business of banking in any part of India or outside India;

(c) In addition to the business of banking, to carry on the business of:

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1. borrowing, raising, or taking up of money;

2. lending or advancing of money by way of a loan, overdraft or on cash credit or other accounts or in any other manner, either upon or without security;

3. drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments and securities whether transferable or negotiable or not;

4. granting and issuing of letters of credit, traveller's cheques and circular notes;

5. buying, selling and dealing in bullion and specie;

6. buying and selling of foreign exchange including foreign bank notes;

7. acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds;

8. purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others;

9. negotiating of loans and advances;

10. receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise;

11. providing of safe deposit vaults;

12. collecting and transmitting of money and securities;

13. acting as agents for any Government or local authority or any other person or persons;

14. carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or secretary and treasurer of a company;

15. contracting for public and private loans and negotiating and issuing the same;

16. effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures



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or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;

17. carrying on and transacting every kind of guarantee and indemnity business;

18. managing, selling and realizing any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;

19. acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security;

20. granting pensions and allowances and making payments towards insurance;

21. acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;

22. selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company; and

23. any other forms of business which the Central Government, pursuant to clause (o) of sub-section (1) of Section 6 of the Banking Regulation Act, 1949, may by notification in the Official Gazette, specify as a form of business in which it would be lawful for a banking company to engage.

(iv) to carry on the business of merchant banking, investment banking, portfolio investment management, corporate consultants and advisors;

(v) to carry on the business of factoring by purchasing and selling debts receivables and claims including invoice discounting and rendering bill collection, debt collection and other factoring services;

(vi) to carry on and transact the business of giving guarantees and counter guarantees and indemnities whether by personal covenant or by mortgaging or charging all or any part of the undertaking, property or assets of the company, both present and future wherever situated or in any other manner and in particular to guarantee the payment of any principal moneys, interest or other moneys secured by or payable under debentures, bonds, debenture-stock, mortgages, charges, contracts, obligations and securities and the repayment of the capital moneys and the payment of dividends in respect of stocks and shares or the performance of any such other obligations;

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(vii) to carry on the business of financing, leasing (operating and financial), hire purchase, all forms of securitization, asset reconstruction or recovery, dealer inventory financing, factoring of receivables, instalment sale and/or deferred sale relating to goods or material, including machinery, plant, equipment, ships, vehicles, aircraft, rolling stock, factories, inventory, debtors, furniture, apparatus, appliances and other movable and immovable property and to arrange or syndicate leasing, hire purchase, instalment sale or deferred sale businesses;

(viii) to act as escrow agents and trustees and issuing and paying agents, including for trust and retention accounts;

(ix) to develop and promote new financing or banking instruments of all kinds whether for the capital market, money market or otherwise and to render all kinds of fee-based financial services; and

(x) to solicit and procure insurance business, mutual fund and alternatives fund business as Corporate Agent and to undertake such other activities as are incidental or ancillary thereto.

1.3 **Objects of this Scheme**

1.3.1 Pursuant to the RBI New Banking Guidelines, all new banks are to be set up through a non-operative financial holding company and will need to be categorically structured such that all businesses which a bank is permitted to carry out, will necessarily vest in the new bank and all other regulated financial services entities (regulated by the RBI or other financial sector regulators) will need to be held by such non-operative financial holding company. Hence, to fulfil the specific terms and conditions of the RBI In-Principle Approval and the conditions set out in the RBI New Banking Guidelines which require the Transferor Company to transfer the relevant business activities (being the Financing Undertaking) to the proposed bank i.e., the Transferee Company, and given the current corporate structure of the Transferor Company, the Transferor Company proposes to realign its businesses to comply with the corporate structure requirements provided in paragraph 2(C) of the RBI New Banking Guidelines and demerge its Financing Undertaking to the Transferee Company.

1.3.2 Accordingly, it would be in the best interests of the Transferor Company, the Transferee Company and their respective shareholders and creditors as the proposed demerger will provide greater financial strength and flexibility and access to greater funds and resources including diversifying the asset base and widening of the liability base, leveraging larger and diversified financial sector opportunities and providing a stable funding profile through retail funding, in the interests of maximising stakeholder value. As a result, the Transferor Company is proposing this Scheme under Section 391 to 394 of the 1956 Companies Act (as defined below).

1.4 **Definitions**

In this Scheme, unless repugnant to the subject or context or meaning thereof, the following expressions shall have the meanings as set out herein below:



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1.4.1 **"1956 Companies Act"** means the Companies Act, 1956 and includes any statutory amendment or modification thereof, which has been partially repealed from time to time after the introduction of the 2013 Companies Act;

1.4.2 **"2013 Companies Act"** means the Companies Act, 2013 as notified, clarified and/or modified by rules and notifications issued by the Ministry of Corporate Affairs, from time to time;

1.4.3 **"Appointed Date"** shall mean the same date as the Effective Date;

1.4.4 **"Board of Directors"** in relation to the Transferor Company and the Transferee Company, means their respective board of directors and, unless it is repugnant to the context or otherwise, includes any committee of directors or any person authorised by the board of directors or by such committee of directors;

1.4.5 **"Company Court"** with respect to the Transferor Company and the Transferee Company, means the High Court of Madras at Chennai, having jurisdiction over such companies for the purposes of this Scheme;

1.4.6 **"Demerger Share Entitlement Ratio"** shall have the meaning ascribed to such term in Clause 3.5.3;

1.4.7 **"Effective Date"** means the last of the dates on which the conditions set out in Clause 5.8 of the Scheme are satisfied or waived in accordance with this Scheme. References in this Scheme to "coming into effect of this Scheme" or "effectiveness of this Scheme" or "Scheme becomes effective" shall mean the Effective Date;

1.4.8 **"Financing Undertaking"** means, subject to any assets or liabilities transferred in the ordinary course of business, the lending and financing business undertaking of the Transferor Company including project finance (fund based and non-fund based), fixed income and treasury. Without prejudice to the generality of the foregoing, the Financing Undertaking shall comprise of:

(i) all the licences, approvals and permits and any and all of its licenses (including the licenses granted by any governmental, statutory or regulatory bodies for the purpose of carrying on its business or in connection therewith), permissions, approvals, consents, exemptions, registrations, no-objection certificates, quotas, rights, entitlements, certificates, tenancies, accumulated balances of credits under any tax laws for the time being in force, including without limitation CENVAT credits, interest tax credits, wealth tax credits, income-tax credits, any other tax paid in advance or in excess or provisionally, benefit of any exemptions, privileges and benefits of all contracts, agreements and all other rights including lease rights, memberships, powers and facilities of every kind and description whatsoever pertaining to the Financing Undertaking of the Transferor Company;

(ii) any and all assets and property relating to or arising from the activities and operations of the Financing Undertaking (whether movable or immovable, real or personal, corporeal or incorporeal, present, future, contingent, tangible or intangible), including but not limited to office buildings, plant and machinery, capital work-in-progress, furniture, fixtures, office equipment, computer



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software and licenses, appliances, accessories, vehicles, cash and bank balance, current assets, sundry debtors, all outstanding loans, deposits, provisions, advances, receivables, funds, leases of all kinds of property, licences, tenancy rights, right of way, premises, hire purchase and lease arrangements, benefits of agreements, contracts and arrangements, insurance policies (other than those taken for the Transferor Company as a whole or without reference to specific assets relating to the Financing Undertaking), authorisations, registrations, quotas, permits, allotments, all kinds of approvals, whether statutory or otherwise including by any central or state government or other local authority, consents, privileges, liberties, advantages, easements, exemptions, incentives receivable under applicable law or in terms of certain schemes or policies of the Government of India or any State Government, including in relation to any taxes and all the rights, title, interests, benefits, entitlement and advantages, contingent rights or benefits belonging to or in the ownership, power, possession or the control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Transferor Company with respect to the Financing Undertaking and all other interests in connection with or relating to the Financing Undertaking, continuing rights, title and interests in connection with any land (together with the buildings and structures standing thereon), whether freehold or leasehold, relating to the Financing Undertaking, plant, machinery, equipment, whether leased or otherwise;

(iii) all debts, liabilities including contingent liabilities, present or future, relating to, or arising out of the activities or operations of the Financing Undertaking, including specific loans and borrowings (if any), term loans from banks and financial institutions (if any), commercial papers and such liabilities raised, incurred and utilised solely for the activities or business or operation of the Financing Undertaking, bank overdrafts (if any), working capital loans and liabilities, amounts due to small scale industrial undertakings, whether secured or unsecured, all guarantees, assurances, commitments and obligations of any nature or description, whether fixed, contingent or absolute, secured or unsecured, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including, without limitation, whether arising out of any contract or tort based on negligence or strict liability), pertaining to the Financing Undertaking;

(iv) all deposits and balances with government, quasi-government, local and other authorities and bodies, customers and other persons, earnest monies and/or security deposits paid or received by the Transferor Company directly or indirectly in connection with the Financing Undertaking;

(v) liabilities other than those referred to above, being the amounts of general or multipurpose borrowings of the Transferor Company, if any, allocated to the Financing Undertaking, in the same proportion which the value of the assets transferred under the Scheme bear to the total value of the assets of Transferor Company immediately before giving effect to the Scheme;



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(vi) any and all investments of all kinds (including shares whether in dematerialised or physical form, scripts, stocks, bonds, debenture stock, units, pass through certificates or security receipts) pertaining to the Financing Undertaking including the investments, all cash balances with the other banks, money at call and short notice, loans, advances, contingent rights or benefits, securitised assets, receivables, benefits of assets or properties or other interest held in trust, benefit of any security arrangements, authority, allotments, approvals, reversions, buildings, structures and offices held for the benefit of or enjoyed by the Financing Undertaking or to which the Financing Undertaking may be entitled and the depository participant accounts of the Transferor Company pertaining to the Financing Undertaking, the details of which are set out at **Schedule 1** (*Depository Participant Accounts*);

(vii) any and all permits, approvals, authorisations, rights to use and avail of telephones, telexes, facsimiles, e mail, internet, leased line connections and installations, utilities, electricity and other services, reserves, provisions, funds, benefits of all agreements, all records, files, papers, computer programmes, manuals, data, catalogues, sales and advertising materials, lists and other details of present and former customers and suppliers, customer credit information, customer and supplier pricing information and other records in connection with or in relation to the Financing Undertaking;

(viii) all staff, workmen and employees of Transferor Company employed in connection with the Financing Undertaking, as on the Effective Date of the Scheme and including those employed at its offices and branches;

(ix) any and all of the advance monies, earnest monies and/or security deposits, payment against warrants or other entitlements, as may be lying with them, pertaining to the Financing Undertaking; and

(x) all contracts, agreements, licenses, leases, memoranda of undertakings, memoranda of agreements, memoranda of agreed points, letters of agreed points, arrangements, undertakings, whether written or otherwise, deeds, bonds, schemes, arrangements, service agreements, sales orders, purchase orders or other instruments of whatsoever nature to which the Transferor Company is a party, exclusively relating to the Financing Undertaking,

it being clarified that the Financing Undertaking shall not include any employees, assets, liabilities, rights or obligations belonging to and forming part of the Residual Undertaking. Any question that may arise as to whether a specified asset, liability, employee or other action, matter or thing forms part of the Financing Undertaking or the Residual Undertaking shall be resolved by mutual agreement between the Board of Directors of each of the Transferor Company and the Transferee Company;

1.4.9 "**Liabilities**" shall have the meaning ascribed to such term in Clause 3.1.2(v);

1.4.10 "**Net Assets**" shall have the meaning ascribed to such term in Clause 3.7.2(i);

1.4.11 "**RBI**" means the Reserve Bank of India;

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1.4.12 "**RBI New Banking Guidelines**" means the Guidelines for Licensing of New Banks in the Private Sector dated 22 February 2013, issued by the RBI;

1.4.13 "**Record Date**" means the date to be fixed by the Board of Directors of the Transferor Company and the Transferee Company, for the purpose of issue of shares of the Transferee Company to the shareholders of the Transferor Company pursuant to this Scheme;

1.4.14 "**Registrar of Companies**" means the Registrar of Companies, Tamil Nadu at Chennai;

1.4.15 "**Residual Undertaking**" means all the undertakings, businesses, activities and operations of the Transferor Company other than the Financing Undertaking and including without limitation the windmill operations, the holding of shares in IDFC FHCL and in certain other entities, goodwill, intellectual property rights such as trade names, trademarks, service marks, copyrights, domain names, applications for trade names and copyrights;

1.4.16 "**Scheme**" means this scheme of arrangement, with such modifications and amendments as may be made from time to time, with the appropriate approvals and sanctions of the Company Court and other relevant regulatory authorities including without limitation the Securities and Exchange Board of India, as may be required under the 1956 Companies Act and under all other applicable laws;

1.4.17 "**Transferee Company**" means IDFC Bank Limited, a company incorporated under the 2013 Companies Act, having its registered office at KRM Tower, 8th Floor, No.1 Harrington Road, Chetpet, Chennai 600 031, which has been established to carry out the business of banking;

1.4.18 "**Transferee Company Option Scheme**" shall have the meaning ascribed to such term in Clause 3.1.6(v);

1.4.19 "**Transferor Company Option Scheme**" shall have the meaning ascribed to such term in Clause 3.1.6(v); and

1.4.20 "**Transferor Company**" means IDFC Limited, a company incorporated under the 1956 Companies Act, having its registered office at KRM Tower, 8th Floor, No.1 Harrington Road, Chetpet, Chennai 600 031.

1.5 **Interpretation**

1.5.1 Terms and expressions which are used in this Scheme but not defined herein shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the 1956 Companies Act, the 2013 Companies Act, the Banking Regulation Act, 1949, the Income Tax Act, 1961, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 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. In particular, wherever reference is made to the Company Court in this Scheme, the reference would include, if appropriate, reference to the National Company Law Tribunal or such other forum



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or authority, as may be vested with any of the powers of the Company Court under Sections 391 to 394 of the 1956 Companies Act and/or rules made thereunder.

1.5.2 In this Scheme, unless the context otherwise requires:

(i) references to "persons" shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

(ii) the headings are inserted for ease of reference only and shall not affect the construction or interpretation of this Scheme;

(iii) references to one gender includes all genders; and

(iv) words in the singular shall include the plural and vice versa.

1.5.3 Any references to sections of the 1956 Companies Act shall be deemed to include references to the equivalent provisions of the 2013 Companies Act if notified.

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## Part II: Capital Structure

**2. Capital Structure**

2.1 The capital structure of the Transferor Company as on 31 December 2014 is as under:

| Share Capital | Amount in Rs. |
|---|---|
| **Authorised Capital** | |
| 4,000,000,000 equity shares of Rs. 10 each | 40,000,000,000 |
| 100,000,000 preference shares of Rs. 100 each | 10,000,000,000 |
| **Total** | 50,000,000,000 |
| **Issued, Subscribed and Paid-up Share Capital *** | |
| 1,591,004,169 equity shares of Rs. 10 each | 15,910,041,690 |
| **Total** | 15,910,041,690 |

* Certain employee stock options granted to the employees of the Transferor Company which are vested may get exercised before the Effective Date. The details of the unexercised employee stock options (net of cancellation) by the employees of the Transferor Company as on 30 November 2014 are set out below:

| Unexercised Employee Stock Options | Amount |
|---|---|
| 34,096,414 options of Rs. 10 each | 340,964,140 |
| **Total** | 340,964,140 |

2.2 The capital structure of Transferee Company as on 31 December 2014 is as under:

| Share Capital | Amount in Rs. |
|---|---|
| **Authorised Capital** | |
| 5,000,000,000 equity shares of Rs. 10 each | 50,000,000,000 |
| **Total** | 50,000,000,000 |
| **Issued, Subscribed and Paid-up Share Capital** | |
| 50,000 equity shares of Rs. 10 each | 500,000 |
| **Total** | 500,000 |

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2.3 Between the date of filing of the Scheme and the Effective Date, the Transferee Company shall need to issue shares to IDFC FHCL to meet the capitalisation requirements set out in the RBI New Banking Guidelines and to comply with the terms and conditions of the RBI In-Principle Approval granted to the Transferor Company. Such issue of new shares shall be separately undertaken by the Transferee Company to IDFC FHCL, prior to the effectiveness of the Scheme and outside the purview and ambit of the Scheme, at an appropriate time as decided by the Board of Directors of the Transferee Company.

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**Part III: Demerger of the Financing Undertaking**

## 3. DEMERGER OF THE FINANCING UNDERTAKING

### 3.1 Transfer and vesting of the Financing Undertaking from the Transferor Company to the Transferee Company

3.1.1 Upon this Scheme becoming effective and with effect from the Appointed Date, all the assets and liabilities and the entire business of the Financing Undertaking shall stand transferred to and vest in the Transferee Company, as a going concern, without any further act or deed and shall be demerged from the Transferor Company together with all its properties, assets, rights, benefits and interest therein, subject to the provisions of this Scheme, in accordance with Section 391 to 394 of the 1956 Companies Act and all applicable provisions of law if any, in accordance with the provisions contained herein and related provisions contained in various other taxation laws in force in India on the Appointed Date including without limitation in relation to service tax, customs duty, excise duty, CENVAT credit or value added tax. In addition, for the avoidance of doubt, the Residual Undertaking and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Transferor Company.

3.1.2 Without prejudice to the generality of the above and to the extent applicable, unless otherwise stated herein, upon this Scheme becoming effective and with effect from the Appointed Date:

(i) In respect of all such assets pertaining to the Financing Undertaking that are movable in nature or incorporeal property or are otherwise capable of transfer by physical or constructive delivery and/or by endorsement and delivery, or by vesting and recordal including plant, machinery and equipments, pursuant to this Scheme, shall stand vested in and/or be deemed to be vested in the Transferee Company wherever located and shall become the property and an integral part of the Transferee Company. The vesting pursuant to this sub-clause shall be deemed to have occurred by physical or constructive delivery or by endorsement and delivery or by vesting and recordal, pursuant to this Scheme, as appropriate to the property being vested and title to the property shall be deemed to have been transferred accordingly.

(ii) All other movable properties pertaining to the Financing Undertaking, including investments in shares and any other securities, 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, shall without any further act, instrument or deed, become the property of the Transferee Company and the same shall also be deemed to have been transferred by way of delivery of possession of the respective documents in this regard. It is hereby clarified that investments and all the rights, title and interests if any, of the Financing Undertaking in any leasehold properties shall, pursuant to Section 394(2) of the 1956 Companies Act or the applicable



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provisions of the 2013 Companies Act and the provisions of this Scheme, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in the Transferee Company and/or be deemed to be demerged from the Transferor Company and transferred to and vested in the Transferee Company on the Appointed Date pursuant to the provisions of Section 394 of the 1956 Companies Act or the applicable provisions of the 2013 Companies Act. It is further clarified that the depository participant accounts of the Transferor Company pertaining to the Financing Undertaking as set out at **Schedule 1** (*Depository Participant Accounts*), shall be vested in and/or be deemed to have been vested in the Transferee Company on the Appointed Date pursuant to the provisions of Section 394 of the 1956 Companies Act or the applicable provisions of the 2013 Companies Act.

(iii) All immovable properties of the Financing Undertaking, if any, including land together with the buildings and structures standing thereon and rights and interests in immovable properties of the Financing Undertaking, whether freehold or leasehold or otherwise and all documents of title, rights and easements in relation thereto shall be vested in and/or be deemed to have been vested in the Transferee Company, without any further act or deed done or being required to be done by the Transferor Company and/or the Transferee Company. The Transferee Company shall be entitled to exercise all rights and privileges attached to the aforesaid immovable properties, if any, and shall be liable to pay the ground rent and taxes and fulfil all obligations in relation to or applicable to such immovable properties. The mutation or substitution of the title to the immovable properties, if any, shall, upon this Scheme becoming effective, be made and duly recorded in the name of the Transferee Company by the appropriate authorities pursuant to the sanction of this Scheme by the Company Court and upon the Scheme becoming effective in accordance with the terms hereof.

(iv) All the security interest over any moveable and/or immoveable properties and security in any other form (both present and future) including but not limited to any pledges, or guarantees, if any, created/executed by any person in favour of the Transferor Company for the purposes of the Financing Undertaking or any other person acting on behalf of or for the benefit of the Transferor Company pertaining to the Financing Undertaking for securing the obligations of the persons to whom the Transferor Company has advanced loans and granted other funded and non-funded financial assistance, pertaining to the Financing Undertaking by way of letter of comfort or through other similar instruments shall pursuant to the provisions of Section 394(2) of the 1956 Companies Act and without any further act, instrument or deed stand vested in and be deemed to be in favour of the Transferee Company and the benefit of such security shall be available to the Transferee Company as if such security was *ab initio* created in favour of the Transferee Company. The mutation or substitution of the charge in relation to the movable and immovable properties of the Transferor Company pertaining to the Financing Undertaking shall, upon this Scheme becoming effective, be made and duly recorded in the name of the Transferee Company by the appropriate authorities and third parties (including any depository participants) pursuant to the sanction of this Scheme



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by the Company Court and upon the Scheme becoming effective in accordance with the terms hereof.

(v) All debts (including rupee and foreign currency loans, time and demand liabilities, borrowings, bills payable, interest accrued and all other duties, liabilities, undertakings and obligations of the Financing Undertaking (the "**Liabilities**")), liabilities, contingent liabilities, duties and obligations, secured or unsecured, whether provided for or not in the books of account or disclosed in the balance sheets of the Transferor Company pertaining to the Financing Undertaking shall be deemed to be the debts, liabilities, contingent liabilities, duties and obligations of the Transferee Company and the Transferee Company shall, and undertakes to meet, discharge and satisfy the same in terms of their respective terms and conditions, if any. All debentures, bonds, notes or other securities of the Transferor Company pertaining to the Financing Undertaking whether convertible into equity or otherwise, shall, pursuant to the provisions of Section 394(2) of the 1956 Companies Act, without any further act, instrument or deed become the securities of the Transferee Company and all rights, powers, duties and obligations in relation thereto shall be and shall stand transferred to and vested in or deemed to be transferred to and vested in and shall be exercised by or against the Transferee Company as if it were the Transferor Company. Notwithstanding anything to the contrary contained herein, prior to the Effective Date, upon the secured creditors, bondholders and debenture holders of the Transferor Company having provided their consent to the modification of the security provided by the Transferor Company in relation to such secured indebtedness, bonds or debentures, such security provided by the Transferor Company shall stand cancelled upon the Effective Date. If the securities issued by the Transferor Company pertaining to the Financing Undertaking, including but not limited to debentures, bonds and infrastructure bonds, are listed on any stock exchange, the same shall, subject to applicable regulations and prior approval requirements, if any, be listed and/or admitted to trading on the relevant stock exchange(s) whether in India or abroad, where the securities were listed and/or admitted to trading on the same terms and conditions unless otherwise modified in accordance with the provisions hereof. In addition, the Board of Directors of the Transferee Company shall be authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to list the various debentures, bonds and infrastructure bonds on the relevant exchanges. It is hereby clarified that 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, duties and obligations have arisen in order to give effect to the provisions of this Clause.

(vi) All contracts, deeds, agreements, schemes, arrangements and other instruments, permits, rights, entitlements, licenses (including the licenses granted by any governmental, statutory or regulatory bodies) for the purpose of carrying on the business of the Financing Undertaking and in relation thereto and those relating to tenancies, privileges, powers, pledge, facilities of every kind and description of whatsoever nature in relation to the Financing Undertaking, or to the benefit of which, the Financing Undertaking may be eligible and which are subsisting or having effect immediately before the



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Effective Date, shall be and remain in full force and effect on, against or in favour of the Transferee Company and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or obligor thereto. In relation to the same, any procedural requirements required to be fulfilled solely by the Transferor Company (and not by any of its successors), shall be fulfilled by the Transferee Company as if it is the duly constituted attorney of the Transferor Company.

(vii) Any pending suits/appeals, all legal, taxation or other proceedings including before any statutory or quasi-judicial authority or tribunal or other proceedings of whatsoever nature relating to the Financing Undertaking, whether by or against the Transferor Company and pertaining to the Financing Undertaking, whether pending on the Appointed Date or which may be instituted any time in the future and in each case relating to the Financing Undertaking shall not abate, be discontinued or in any way prejudicially affected by reason of the demerger of the Financing Undertaking or of anything contained in this Scheme, but the proceedings shall continue and any prosecution shall be enforced by or against the Transferee Company after the Effective Date. The Transferee Company shall, after the Effective Date, be replaced as party to such proceedings and shall prosecute or defend such proceedings in co-operation with the Transferor Company in the same manner and to the same extent as would or might have been continued, prosecuted and/or enforced by or against the Transferor Company, as if this Scheme had not been implemented.

(viii) All cheques and other negotiable instruments, payment orders received and presented for encashment which are in the name of the Transferor Company and pertaining to the Financing Undertaking after the Effective Date, shall be accepted by the bankers of the Transferee Company and credited to the accounts of the Transferee Company, if presented by the Transferee Company.

(ix) All the property, assets and liabilities of the Financing Undertaking shall be transferred by the Transferor Company to the Transferee Company at the values appearing in the books of account of the Transferor Company at the close of business of the day immediately preceding the Appointed Date.

(x) In case of such of the Liabilities or the documents governing such of the Liabilities where there is an obligation on the Transferor Company pertaining to the Financing Undertaking to maintain any privilege or status specifically conferred by any statute or regulation, such obligation and related consequences thereof shall cease to be operative against the Transferee Company and the relevant terms of the documents governing such Liabilities shall, without any further act, instrument or deed, stand modified accordingly.

(xi) All debentures or bonds of the Financing Undertaking shall be kept distinctly identified in the records of the Transferee Company for all intents and purposes including taxation and accounting and shall not be combined with any existing outstanding series of debentures or bonds of the Transferee Company.



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(xii) All registrations, goodwill and licenses, appertaining to the Financing Undertaking, if any, shall stand transferred to and vested in the Transferee Company. For avoidance of any doubt, all trademarks, service marks, copyrights, domain names, applications for copyrights, trade names and trade-marks of the Transferor Company, if any, shall continue to stand vested in the Residual Undertaking.

(xiii) All taxes (including but not limited to advance tax, tax deducted at source, minimum alternate tax, fringe benefit tax, securities transaction tax, self assessment tax, taxes withheld/paid in a foreign country, value added tax, sales tax, service tax, stamp duty etc.) including any interest, penalty, surcharge and cess, if any, payable by or refundable to the Transferor Company relatable to the Financing Undertaking, including all or any refunds or claims shall be treated as the tax liability or refunds/claims, as the case may be, of the Transferee Company and any tax incentives, advantages, privileges, exemptions, credits, holidays, remissions, reductions etc., as would have been available to the Financing Undertaking, shall pursuant to this Scheme becoming effective, be available to the Transferee Company.

(xiv) All approvals, consents, exemptions, registrations, no-objection certificates, permits, quotas, rights, entitlements, licenses (including the licenses granted by any governmental, statutory or regulatory bodies for the purpose of carrying on its business or in connection therewith) and certificates of every kind and description whatsoever in relation to the Financing Undertaking, or to the benefit of which the Financing Undertaking may be eligible/entitled and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect in favour of the Transferee Company and may be enforced as fully and effectually as if, instead of the Financing Undertaking, the Transferee Company had been a party or beneficiary or obligor thereto. It is hereby clarified that if the consent of any third party or authority is required to give effect to the provisions of this Clause, the said third party or authority shall make and duly record the necessary substitution/endorsement in the name of the Transferee Company pursuant to the sanction of this Scheme by the Company Court and upon this Scheme becoming effective in accordance with the terms hereof. For this purpose, the Transferee Company shall file appropriate applications/documents with relevant authorities concerned for information and record purposes.

(xv) Benefits of any and all corporate approvals as may have already been taken by the Transferor Company in relation to the Financing Undertaking, whether being in the nature of compliances or otherwise, including without limitation approvals under Sections 42, 62(1A), 180, 185, 186, 188 etc., of the 2013 Companies Act, read with the rules and regulations made thereunder, shall stand transferred to the Transferee Company and the said corporate approvals and compliances shall be deemed to have been taken/complied with by the Transferee Company.

(xvi) All estates, assets, rights, title, interests and authorities accrued to and/or acquired by the Financing Undertaking shall be deemed to have been accrued to and/or acquired for and on behalf of the Transferee Company and shall, upon this Scheme coming into effect, pursuant to the provisions of Section



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394(2) and other applicable provisions of the 1956 Companies Act, without any further act, instrument or deed be and stand transferred to or vested in and/or be deemed to have been transferred to or vested in the Transferee Company to that extent and shall become the estates, assets, right, title, interests and authorities of the Transferee Company.

It being clarified that if any assets, estate, claim, right, title, interest in or authorities relating to such assets or any contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Financing Undertaking, which the Transferor Company owns or to which the Transferor Company is a party and pertains to the Financing Undertaking and which cannot be transferred to the Transferee Company for any reason whatsoever, the Transferor Company shall hold such assets or any contracts, deeds, bonds, agreements, schemes, arrangements or other instruments in trust for the benefit of the Transferee Company to which the Financing Undertaking is being transferred in terms of the provisions of this Scheme in so far as permissible to do so until such as time as the transfer is effected.

3.1.3 Without prejudice to the other provisions of the Scheme and notwithstanding the vesting of the Financing Undertaking to the Transferee Company by virtue of Part III of the Scheme itself, the Transferee Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement in relation to which the Transferor Company has been a party, including any filings with the regulatory authorities (or any charge related filing) in order to give formal effect to the above provisions and to carry out or perform all such formalities or compliances referred to above on the part of the Financing Undertaking. The Transferee Company will, if necessary, also be a party to the above. The Transferee Company shall, under the provisions of Part III of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Financing Undertaking and to carry out or perform all such formalities or compliances referred to above on the part of the Financing Undertaking to be carried out or performed.

3.1.4 The Transferor Company with effect from the date of filing of this Scheme and up to and including the Effective Date:

(i) shall carry on its business and activities with reasonable diligence and business prudence and in the same manner as it had been doing hitherto and shall not undertake financial commitments of any nature whatsoever, borrow any amounts or incur any other liabilities or expenditure, issue any additional guarantees, indemnities, letters of comfort or commitee, either for itself or on behalf of its subsidiaries or group companies or any third party, or sell, transfer, alienate, charge, mortgage or encumber its properties or assets or any part thereof, save and except in each case in the following circumstances:

(a) if the same is in its ordinary course of business; or

(b) if the same is expressly permitted by this Scheme; or



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(c) if prior written consent of the Transferee Company has been obtained; and

(ii) except by mutual consent of the Boards of Directors of the Transferor Company and the Transferee Company, or except pursuant to any prior commitment, obligation or arrangement existing or undertaken by the Transferor Company and/or the Transferee Company pertaining to the Financing Undertaking as on the date of filing of this Scheme, or except as contemplated in this Scheme, pending sanction of this Scheme, the Transferor Company and/or the Transferee Company shall not make any change in their capital structures either by way of any increase (by issue of equity shares, bonus shares, convertible debentures or otherwise), decrease, reduction, reclassification, sub-division or consolidation, re-organisation or in any other manner, which would have the effect of re-organisation of capital of such company(ies), provided that the Transferor Company and the Transferee Company shall be authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to issue employee stock options under any employee stock purchase scheme with respect to its respective employees.

3.1.5 Any claims, liabilities or demands (including in relation to income tax, service tax, tax deducted at source, provident fund and any other tax or statutory obligations) arising out of the activities or operations of the Financing Undertaking which relates to the period prior to the Appointed Date but arises at any time including after the Effective Date shall be deemed to be part of the Financing Undertaking and shall consequently be entirely borne by the Transferee Company. In the event that such liability is incurred by or such claim or demand is made upon the Transferor Company pertaining to the Financing Undertaking (or any successor thereof), then the Transferee Company shall indemnify the Transferor Company (or any successor thereof) for any payments made in relation to the same.

3.1.6

(i) The Transferee Company undertakes to engage, on and from the Effective Date, all such employees of the Transferor Company pertaining to the Financing Undertaking and who are in the employment of the Transferor Company as on the Effective Date, on similar terms and conditions to those on which they are engaged by the Transferor Company, with continuity of service and without any interruption of service as a result of this transfer.

(ii) The Transferee Company undertakes to continue to abide by any agreement/settlement entered into by the Transferor Company with employees of the Transferor Company in relation to the Financing Undertaking. The Transferee Company undertakes to continue to abide by any agreement(s)/settlement(s) entered into with any labour unions/employees by the Transferor Company in relation to or in connection with the Financing Undertaking. The Transferee Company agrees that for the purpose of payment of any compensation, gratuity and other terminal benefits, the past services of such employees with the Transferor Company shall also be taken into account and agrees and undertakes to pay the same as and when payable.



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(iii) In so far as the existing provident fund, gratuity fund and superannuation fund and/or schemes, leave encashment and any other special scheme or benefits created or existing for the benefit of such employees of Transferor Company pertaining to the Financing Undertaking, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever, upon this Scheme becoming effective, including with regard to the obligation to make contributions to relevant authorities, such as the Regional Provident Fund Commissioner or to such other funds maintained by the Transferor Company in relation to the Financing Undertaking, in accordance with the provisions of applicable laws or otherwise. In addition such funds, gratuity or other schemes created or maintained by the Transferor Company for the employees of the Financing Undertaking, shall, subject to the necessary approvals and permissions, be transferred to the relevant funds and/or schemes as determined by the Transferee Company. If the Transferee Company, as on the Effective Date, does not have such funds or schemes to enable the transfer of contributions made by the Transferor Company with respect to the employees of the Financing Undertaking, the Transferee Company shall establish such funds and/or schemes to enable the transfer of the contributions made by the Transferor Company in relation to the employees of the Financing Undertaking. It is hereby clarified that upon this Scheme becoming effective, the aforesaid benefits or schemes shall continue to be provided to the transferred employees and the services of all the transferred employees of the Financing Undertaking for such purpose shall be treated as having been continuous and uninterrupted for the purpose of the aforesaid schemes or funds.

(iv) It is the aim and intent of the Scheme that all the rights, duties, powers and obligations of the Financing Undertaking in relation to such schemes or funds shall become those of the Transferee Company. Upon the Scheme becoming effective, the Transferee Company shall stand substituted for the Financing Undertaking for all purposes whatsoever relating to the obligation to make contributions to the said funds in accordance with the provisions of such schemes or funds in the respective trust deeds or other documents.

(v) With respect to the stock options granted by the Transferor Company under the employees stock options scheme of the Transferor Company (the "**Transferor Company Option Scheme**"), upon the coming into effect of the Scheme, the Transferee Company shall formulate a new employee stock option scheme by adopting an employees stock options scheme similar to or substantially similar to the Transferor Company Option Scheme ("**Transferee Company Option Scheme**").

(vi) In respect of the stock options granted by the Transferor Company to the employees of: (i) the Transferor Company; or (ii) its subsidiaries, which have not vested or if vested, have not been exercised by the employees, such options shall, subject to the provisions of this Scheme, continue to be held by the relevant employees (irrespective of whether such employees continue to be employees of the Transferor Company or are being transferred with the Financial Undertaking of the Transferor Company to the Transferee Company or are employees of the Transferor Company's subsidiaries) and governed by



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the Transferor Company Option Scheme. Upon the effectiveness of the Scheme, the employees that are being transferred with the Financial Undertaking to the Transferee Company, as well as all remaining employees of the Transferor Company or their respective subsidiaries, who have been granted options under the Transferor Company Option Scheme, which have not been exercised, as of the Record Date, shall be granted 1 (one) stock option by the Transferee Company under the new Transferee Company Option Scheme for every 1 (one) stock option held in the Transferor Company by such employee, whether such stock option is vested or not.

(vii) On the Effective Date, the provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended to-date, shall apply, to the extent applicable, to the stock options granted by the Transferee Company under the Transferee Company Option Scheme in pursuance of this Scheme with effect from the date on which the equity shares of the Transferee Company are first listed on the NSE and the BSE in accordance with the provisions of the Scheme.

(viii) The price of the options to be granted by the Transferee Company under the Transferee Company Option Scheme shall be determined by multiplying the existing grant price of the existing option granted by the Transferor Company under the Transferor Company Option Scheme by the proportion that the net worth of the Financing Undertaking bears to the total net book value of the Transferor Company immediately prior to the effectiveness of the Scheme. The balance differential in the grant price shall become the grant price of the stock options issued by the Transferor Company under the Transferor Company Option Scheme.

(ix) While granting stock options, the Transferee Company shall, subject to applicable laws, take into account the period during which the employees held stock options granted by the Transferor Company prior to the issuance of the stock options by the Transferee Company, for determining of minimum vesting period required for stock options granted by the Transferee Company.

(x) The approval granted to the Scheme by the shareholders, the RBI, the Securities and Exchange Board of India and/or any other regulatory authority shall be deemed to be approval granted to any modifications made to the Transferor Company Option Scheme by the Transferor Company and approval granted to the Transferee Company Option Scheme to be adopted by the Transferee Company, respectively.

3.2 Upon this Scheme becoming effective and subject to the receipt of requisite consents of the secured creditors, bond holders and debenture holders in favour of whom the Transferor Company has created security, the security provided by the Transferor Company pertaining to such financial indebtedness, bonds and debentures pertaining to the Financing Undertaking shall stand cancelled and shall have no effect. For this purpose, no further consent from the existing secured creditors/other security holders shall be required and sanction of this Scheme shall be considered as a specific consent towards the same.



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3.3 The Transferor Company and/or the Transferee Company as the case may be, shall, at any time after this Scheme becoming effective in accordance with the provisions hereof, if so required under any law or otherwise, do all such acts or things as may be necessary to transfer/obtain the approvals, consents, exemptions, registrations, no-objection certificates, permits, quotas, rights, entitlements, licenses and certificates which were held or enjoyed by the Financing Undertaking. It is hereby clarified that if the consent of any third party or authority, if any, is required to give effect to the provisions of this Clause, the said third party or authority shall make and duly record the necessary substitution/endorsement in the name of the Transferee Company pursuant to the sanction of this Scheme by the Company Court, and upon this Scheme becoming effective in accordance with the provisions of the 1956 Companies Act, and with the terms hereof. For this purpose, the Transferee Company shall file appropriate applications/documents with the relevant authorities concerned for information and record purposes. The Transferee Company shall, under the provisions of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Transferor Company and to carry out or perform all such acts, formalities or compliances referred to above as may be required in this regard.

3.4 **Conduct of Business**

3.4.1

(i) With effect from the Effective Date, the Transferee Company shall carry on and shall be authorised to carry on the business of the Financing Undertaking.

(ii) For the purpose of giving effect to the order passed under Sections 391 to 394 and other applicable provisions of the 1956 Companies Act in respect of this Scheme by the Company Court, the Transferee Company shall, at any time, pursuant to the order on this Scheme, be entitled to get the recordal of the change in the legal right(s) upon the transfer of the Financing Undertaking, in accordance with the provisions of Sections 391 to 394 of the 1956 Companies Act. The Transferee Company is and shall always be deemed to have been authorised to execute any pleadings, applications, forms, deeds etc., as may be required to remove any difficulties and carry out any formalities or compliance as are necessary for the implementation of this Scheme, pursuant to the sanction of this Scheme by the Company Court.

(iii) Upon this Scheme becoming effective, the Transferee Company, unconditionally and irrevocably, agrees and undertakes to pay, discharge and satisfy all liabilities and obligations of the Transferor Company pertaining to the Financing Undertaking with effect from the Appointed Date, in order to give effect to the foregoing provisions.

(iv) With effect from the Appointed Date, all profits accruing to the Financing Undertaking and all taxes thereof or losses arising or incurred by it relating to the Financing Undertaking shall, for all purposes be treated as the profits, taxes or losses as the case may be of the Transferee Company.

(v) Upon the coming into effect of this Scheme, the resolutions, if any, of the Transferor Company pertaining to the Financing Undertaking, which are valid and subsisting on the Effective Date shall continue to be valid and subsisting



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and be considered as resolutions of the Transferee Company and if any such resolutions have upper monetary or other limits being imposed under the provisions of the 1956 Companies Act and the 2013 Companies Act, or any other applicable provisions, then such limits shall be added and shall constitute the aggregate of such limits in the Transferee Company.

3.5 **Consideration**

3.5.1 Upon this Scheme coming into effect and upon vesting of the Financing Undertaking in the Transferee Company, the Transferor Company shall provide to the Transferee Company, the list of equity shareholders of the Transferor Company as on the Record Date, who are entitled to receive fully paid-up equity shares, in the Transferee Company in terms of this Scheme.

3.5.2 Upon this Scheme coming into effect, the shareholders of the Transferor Company as of the Record Date shall be entitled to receive equity shares of the Transferee Company as detailed in this Clause 3.5 of Part III of this Scheme.

3.5.3 The Boards of Directors of the Transferor Company and the Transferee Company have determined to issue 47% of the equity shares of the Transferee Company to the shareholders of the Transferor Company based on their independent judgment given the fact the demerger is within the group companies. Accordingly, the Transferee Company shall, without any further act or deed, issue and allot to the shareholders of the Transferor Company whose name is recorded in the register of members of the Transferor Company (including employees, who have become shareholders by exercising their options, which have vested in accordance with the Transferor Company Option Scheme) on the Record Date, equity shares of the Transferee Company in the ratio of one (1) equity share having a face value of Rs. 10 each of the Transferee Company for every one (1) equity share having a face value of Rs. 10 each of the Transferor Company, each equity share being fully paid-up ( the "**Demerger Share Entitlement Ratio**").

3.5.4 The Transferor Company and the Transferee Company had engaged SSPA & Co., as the chartered accountants to provide a valuation report. In connection with such engagement, SSPA & Co., has issued a valuation report dated 30 October 2014.

3.5.5 The Transferor Company had engaged JM Financial Institutional Securities Limited as the merchant bankers to provide a fairness opinion on the Demerger Share Entitlement Ratio adopted under the Scheme. In connection with such engagement, JM Financial Institutional Securities Limited has issued a fairness opinion dated 30 October 2014.

3.6 **Issuance mechanics and other provisions**

3.6.1 The equity shares to be issued and allotted by the Transferee Company in terms of Clause 3.5 of Part III of this Scheme shall be subject to the provisions of the memorandum of association and the articles of association of the Transferee Company and shall rank *pari passu* in all respects with the existing equity shares of the Transferee Company.

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3.6.2 All Certificates for the new shares held in physical form shall be sent by the Transferee Company to the shareholders of Transferor Company as on the Record Date at their respective registered addresses as appearing in the register of members of Transferor Company (or in the case of joint holders to the address of such joint holder whose name stands first in such register of members in respect of such joint holding) and the Transferee Company shall not be responsible for any loss in transmission.

3.6.3 All equity shareholders of the Transferor Company holding equity shares in the Transferor Company in dematerialised form, as on the Record Date, shall be issued fresh equity shares in the Transferee Company in dematerialised form. All equity shareholders of the Transferor Company holding equity shares in the Transferor Company in physical form, as on the Record Date, shall be issued fresh equity shares in the Transferee Company in physical form.

3.6.4 For the purpose of the allotment of equity shares in the Transferee Company pursuant to Clause 3.5 above, in case any member's holding in the Transferor Company is such that the member becomes entitled to a fraction of an equity share of the Transferee Company, the Transferee Company shall not issue fractional shares to such members but shall consolidate such fractions and issue consolidated equity shares to separate trustees nominated respectively by the Transferee Company in that behalf, who shall sell such shares and distribute the net sale proceeds (after deduction of the expenses incurred) to the members respectively entitled to the same, in proportion to the respective fractional entitlements in the Transferee Company.

3.6.5 On the approval of the Scheme by the members of the Transferee Company pursuant to Section 391 of the 1956 Companies Act, it shall be deemed that the members have accorded their consent under Section 62(1A) of the 2013 Companies Act, or any other applicable provision of the 2013 Companies Act as may be applicable. The Transferee Company shall, if and to the extent required, apply for and obtain any approvals from the concerned regulatory authorities, including the Securities and Exchange Board of India and the NSE and the BSE, for the issue and allotment by the Transferee Company of equity shares of Transferee Company to the members of Transferor Company pursuant to the Scheme.

3.6.6 All equity shares of the Transferee Company issued in terms of this Scheme or otherwise shall, subject to the execution of the listing agreement and payment of the appropriate fees, be listed on the NSE and the BSE and on such other recognised stock exchange(s) in India, and/or admitted to trading if any, as may be decided by the Board of Directors of the Transferee Company.

3.6.7 In the event of there being any pending and valid share transfers, whether lodged or outstanding, of any shareholder of the Transferor Company, the Board of Directors, or any committee thereof, of the Transferor Company shall be empowered in appropriate cases, even subsequent to the Record Date, as the case may be, to effectuate such a transfer in the Transferor Company, as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the Transferor Company or Transferee Company, as the case may be, in respect of such shares.



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3.6.8 Unless otherwise determined by the Board of Directors, or any committee thereof, of the Transferor Company and the Board of Directors, or any committee thereof, of the Transferee Company, allotment of shares in terms of this Scheme shall be completed within forty five (45) days from the Effective Date.

3.6.9 The shares allotted pursuant to the Scheme shall remain frozen in the depositories system until listing/trading permission is given by the designated stock exchange.

3.6.10 There shall be no change in the shareholding pattern or control of the Transferee Company between the Record Date and the date of listing of equity shares of the Transferee Company which may affect the status of the NSE's and the BSE's approval.

3.7 **Accounting Treatment**

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

(i) The Transferor Company shall reduce the book value of assets (net of diminution/depreciation, if any) and liabilities relating to the Financing Undertaking transferred to the Transferee Company.

(ii) The credit balance in the debenture redemption reserve of the Transferor Company shall be transferred and credited to the general reserve account of the Transferor Company.

(iii) The Transferor Company shall reduce the stock option outstanding reserves, to reflect the adjustment in Clause 3.1.6, in the proportion that the net book value of the Financing Undertaking bears to the net worth of the Transferor Company.

(iv) The excess of book value of the assets transferred (net of diminution/depreciation, if any) over the book value of the liabilities of the Financing Undertaking transferred to the Transferee Company, shall be debited proportionately to all reserves and surpluses (including the securities premium account) other than the statutory reserves created under Section 45IC of the Reserve Bank of India Act, 1934, under Section 36(1)(viii) of the Income Tax Act, 1961 and the stock option outstanding reserve as adjusted under sub-clause (iii) above, of the Transferor Company.

3.7.2 The Transferee Company shall give effect to the following accounting treatment as at the Appointed Date:

(i) The Transferee Company shall record the assets and liabilities (the difference between the assets and liabilities hereinafter being referred to as the "**Net Assets**") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of the Financing Undertaking of the Transferor Company, at the close of business of the day immediately preceding the Appointed Date.

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(ii) The Transferee Company shall credit to its share capital in its books of account, the aggregate face value of the new equity shares issued by it to the members of the Transferor Company pursuant to this Scheme.

(iii) The excess of the Net Assets over the face value of new equity shares allotted in accordance with the Scheme shall be credited to the respective reserves and surpluses (including the securities premium account), in the same proportion as debited in the books of the Transferor Company pursuant to Clause 3.7.1 (iv) above. All cost, charges, fees and taxes including duties (including stamp duty and/or transfer charges, if any, applicable in relation to the Scheme) shall be debited to opening reserves (other than securities premium account and stock option outstanding reserve) of the Transferee Company.

(iv) The Transferee Company shall credit an amount equivalent to the amount debited by the Transferor Company pursuant to Clause 3.7.1(iii) above, to its stock option outstanding reserve.

3.7.3 In case the Transferee Company is required to follow accounting policies that are different from that of the Transferor Company for any regulatory reasons, the effect of the difference in the accounting policies between the Transferor Company and the Transferee Company, will be quantified and adjusted in the opening reserve (other than the securities premium account and stock option outstanding reserve), to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policy.

3.7.4 Notwithstanding the above, the Board of Directors of the Transferee Company is authorised to account for any of these balances in any manner whatsoever, as may be deemed fit, in accordance with the prescribed accounting standards notified by the National Advisory Committee on Accounting Standards and applicable generally accepted accounting principles.

3.8 **Utilisation and reduction of securities premium account of the Transferor Company**

3.8.1 The application and consequential reduction of the securities premium account, in accordance with Clause 3.7.1 above, shall be effected as an integral part of the Scheme and the order of the Company Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the 1956 Companies Act (or the relevant provisions of the 2013 Companies Act) confirming the reduction in the securities premium account of the Transferor Company. The proposed reduction does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital. The Transferor Company shall not be required to add the phrase "and reduced" as a suffix to the name.

3.8.2 The approval granted by the shareholders and creditors of the Transferor Company to this Scheme shall be deemed to be approval for the purposes of Sections 100-104 of the 1956 Companies Act. The Transferor Company shall not be obliged to call for a separate meeting of its shareholders/creditors for obtaining their approval sanctioning the reduction of securities premium account under this Scheme.



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## Part IV: Residual Undertaking of the Transferor Company

### 4. RESIDUAL UNDERTAKING OF THE TRANSFEROR COMPANY

**4.1 Residual Undertaking**

4.1.1 The Residual Undertaking and all assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Transferor Company.

4.1.2 All legal, taxation or other proceedings by or against the Transferor Company under any statute, or quasi-judicial authority or tribunal) whether pending on the date of filing of this Scheme or which may be instituted in future whether or not in respect of any matter arising before the Effective Date and relating to the Residual Undertaking (including those relating to any property, right, power, liability, obligation or duties of the Transferor Company in respect of the Residual Undertaking) shall be continued and enforced by or against the Transferor Company. The Transferee Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceeding against the Transferor Company if proceedings are taken up against the Transferee Company in respect of the matters referred to in this Clause, it shall defend the same in accordance with the advice of the Transferor Company and at the cost of the Transferor Company and the latter shall reimburse and indemnify the Transferee Company against all liabilities and obligations incurred by the Transferee Company in respect thereof.

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## Part V

### 5. MISCELLANEOUS AND GENERAL PROVISIONS

**5.1 Provisions Applicable to Part III**

5.1.1 Upon the sanction of this Scheme and upon this Scheme becoming effective, the following shall be deemed to have occurred and become effective and operative only in the sequence and in the order mentioned hereunder:

(i) the transfer of the Financing Undertaking to the Transferee Company pursuant to Part-III of this Scheme; and

(ii) the issue and allotment of fully paid-up equity shares of the Transferee Company to the shareholders of the Transferor Company as of the Record Date.

**5.2 Compliance with Laws**

5.2.1 This Scheme is presented and drawn up to comply with the provisions/requirements of Sections 391 to 394 of the 1956 Companies Act, for the purpose of demerger of the Financing Undertaking to the Transferee Company.

5.2.2 This Scheme has been drawn up to comply with the conditions relating to "demerger" as specified under the tax laws, including Section 2(19AA) and other relevant sections of the Income Tax Act, 1961. If any terms or provisions of the 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 Income Tax Act, 1961 shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. Such modification will however not affect other parts of the Scheme. The power to make such amendments as may become necessary shall vest with the Board of Directors of the Transferor Company and the Transferee Company, which power shall be exercised reasonably in the best interests of the companies concerned and their stakeholders.

5.2.3 Upon the Scheme becoming effective, the Transferor Company and the Transferee Company are expressly permitted to revise their financial statements. The order of the Company Court sanctioning the Scheme shall be deemed to be an order of the National Company Law Tribunal permitting the Transferor Company and the Transferee Company to revise its financial statements and books of accounts and no further act shall be required to be undertaken by the Transferor Company and the Transferee Company.

**5.3 Consequential Matters Relating to Tax**

5.3.1 Upon the Scheme coming into effect, notwithstanding anything to the contrary contained in the provisions of this Scheme, all accumulated tax loss, unabsorbed losses and corresponding deferred tax assets, unabsorbed tax depreciation, minimum



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alternate tax credit, if any, of the Financing Undertaking as on the Appointed Date, respectively shall, for all purposes, be treated as accumulated tax losses, unabsorbed losses and corresponding deferred tax assets, unabsorbed tax depreciation and minimum alternate tax credits of the Transferee Company.

5.3.2 Upon the Scheme becoming effective, the Transferee Company shall be entitled to claim refunds or credits, including input tax credits, with respect to taxes paid by, for, or on behalf of, the Financing Undertaking under applicable laws, whether or not arising due to any inter se transaction, even if the prescribed time limits for claiming such refunds or credits have lapsed.

5.3.3 Upon the Scheme becoming effective, any TDS certificates issued by the Transferor Company to, or for the benefit of, the Financing Undertaking 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 law. Further, TDS deposited, TDS certificates issued or TDS returns filed by the Transferor Company pertaining to the Financing Undertaking on transactions other than inter se transactions 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 Financing Undertaking on inter se transactions will be treated as advance tax deposited by the Transferee Company.

5.3.4 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 or amongst the Financing Undertaking and the Transferee Company.

5.3.5 The obligation for deduction of tax at source on any payment made by or to be made by the Transferor Company pertaining to the Financing Undertaking under the Income Tax Act, 1961, service tax laws, central sales tax, state value added tax or other applicable laws and/or regulations dealing with taxes, duties or levies shall be deemed to have been made and duly complied with on behalf of the Transferee Company.

5.3.6 Upon the Scheme becoming effective, the Transferee Company is also expressly permitted to revise its income-tax returns, withholding tax returns, sales tax returns, excise & CENVAT returns, service tax returns, other tax returns, to obtain TDS certificates, including TDS certificates relating to transactions between or amongst the Financing Undertaking and the Transferee Company and to claim refunds, advance tax and withholding tax credits, benefit of carry forward of accumulated losses etc., pursuant to the provisions of this Scheme.

5.3.7 In accordance with the Cenvat Credit Rules framed under Central Excise Act, 1944, as are prevalent on the Effective Date, the unutilised credits relating to excise duties paid on inputs/capital goods/input services lying in the accounts of the Transferor Company pertaining to the Financing Undertaking shall be permitted to be transferred to the credit of the Transferee Company, as if all such unutilised credits were lying to the account of the Transferee Company. The Transferee Company shall accordingly be entitled to set off all such unutilised credits against the excise duty/service tax payable by it. Without prejudice to the generality of the foregoing, all benefits, incentives, losses, credits (including without limitation income tax, tax on book



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profits, wealth tax, service tax, excise tax, custom duty and value added tax), to which the Financing Undertaking of the Transferor Company is entitled to in terms of applicable law, shall be available to and vest in the Transferee Company.

5.4 **Dividends**

5.4.1 The Transferor Company and the Transferee Company shall be entitled to declare and pay dividends, whether interim or final, to their respective shareholders in respect of the accounting period prior to the Effective Date.

(i) The holders of the shares of the Transferor Company and the Transferee Company shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing rights under their respective Articles of Association including the right to receive dividends.

(ii) 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 2013 Companies Act, shall be entirely at the discretion of the respective Boards of Directors of the Transferor Company and the Transferee Company respectively and subject to the approval of the shareholders of the Transferor Company and the Transferee Company respectively.

5.5 **Interpretation**

5.5.1 This Scheme shall become effective and the provisions of this Scheme shall be applicable and come into operation from the Effective Date.

5.5.2 If any terms or provisions of this Scheme are found to be or interpreted to be inconsistent with any provisions of applicable law at a later date, whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the provisions of the applicable law shall prevail. This Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. Such modification will, however, not affect other parts of this Scheme. Notwithstanding the other provisions of this Scheme, the power to make such amendments/modifications as may become necessary, whether before or after the Effective Date, shall vest with the Board of Directors of the Transferor Company and the Transferee Company, which power shall be exercised reasonably in the best interests of the Transferor Company and the Transferee Company and their respective shareholders.

5.6 **Applications to Court**

5.6.1 The Transferor Company and the Transferee Company shall as may be required make necessary applications and/or petitions to the Company Court under Sections 391 to 394 of the 1956 Companies Act and other provisions of the Companies (Court) Rules, 1959 along with the applicable provisions of the 2013 Companies Act seeking orders for dispensing with or convening, holding and conducting of the meetings of members and/or creditors and for sanction of this Scheme with such modification as may be approved by the Company Court and all matters ancillary or incidental thereto.



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5.6.2 Upon this Scheme being approved by the requisite majority of the shareholders and creditors of the Transferor Company and the Transferee Company respectively (wherever required), the Transferor Company and the Transferee Company shall, with all reasonable dispatch, file respective petitions before the Company Court for sanction of this Scheme under Sections 391 to 394 and other provisions of the Companies (Court) Rules, 1959 along with applicable provisions of the 2013 Companies Act and for such other order or orders, as the Company Court may deem fit for putting this Scheme into effect.

5.6.3 Upon this Scheme becoming effective, the shareholders of the Transferee Company shall be deemed to have also accorded their approval under all relevant provisions of the 1956 Companies Act and 2013 Companies Act for giving effect to the provisions contained in this Scheme.

5.7 **Modification or Amendments to the Scheme**

5.7.1

(i) The Transferor Company (by its Board of Directors) and the Transferee Company (by its Board of Directors) either by themselves or through a committee appointed by them in this behalf, may, in their full and absolute discretion, assent to any alteration or modification to this Scheme which either the boards of directors of the Transferor Company or the Transferee Company, as the case may be, deem fit, or which the Company Court and/or any other authority may deem fit to approve or impose.

(ii) The Transferor Company (by its Board of Directors) and the Transferee Company (by its Board of Directors), either by themselves or through a committee appointed by them in this behalf, may give such directions as they may consider necessary to settle any question or difficulty arising under the Scheme or in regard to and of the meaning or interpretation of the Scheme or implementation hereof or in any matter whatsoever connected therewith (including any question or difficulty arising in connection with any deceased or insolvent shareholders, depositors or debenture-holders of the respective companies), or to review the position relating to the satisfaction of various conditions to the Scheme and if necessary, to waive any of those (to the extent permissible under law).

(iii) The Transferor Company and the Transferee Company, acting through their respective Boards of Directors, shall be at liberty to withdraw from this Scheme in case any condition or alteration imposed by the Company Court or any other authority is not on terms acceptable to them.

(iv) Except as otherwise expressly provided in this Scheme, the Transferor Company and the Transferee Company shall pay their respective costs, expenses, charges, fees, taxes, duties, levies and other incidental expenses arising out of or incurred in connection with the filing, approval and/or implementation of this Scheme. Upon this Scheme becoming effective all costs, expenses, charges, fees, taxes, duties, levies and other incidental expenses arising out of or incurred in connection with the filing, approval



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and/or implementing of this Scheme (save as expressly otherwise agreed) by the Transferor Company shall be borne solely by the Transferee Company.

(v) In the event of any inconsistency between any of the terms and conditions of any earlier arrangement between the Transferor Company and the Transferee Company and their respective shareholders and the terms and conditions of this Scheme, the latter shall prevail.

(vi) If any part of this Scheme is invalid, ruled illegal or rejected or is unreasonably delayed or not sanctioned by any court of competent jurisdiction, or unenforceable under present or future laws, or not sanctioned or is unreasonably delayed, then it is the intention of the parties that such part shall be severable from the remainder of this Scheme and this Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the Transferor Company and the Transferee Company, acting through their respective Boards of Directors, shall attempt to bring about a modification in this Scheme, as will best preserve for the parties, the benefits and obligations of this Scheme, including but not limited to such part, which is invalid, ruled illegal or rejected, or being unreasonably delayed or not sanctioned or is unreasonably delayed by any court of competent jurisdiction, or unenforceable under present or future laws.

(vii) Any issue as to whether any asset, liability, employee or litigation pertains to the Financing Undertaking or not shall be decided by the Board of Directors of the Transferee Company either by themselves or through a committee appointed by them in this behalf, and if considered necessary by them, after consultation with the Board of Directors of the Transferor Company, on the basis of evidence that they may deem relevant for the purpose (including the books and records of the Transferor Company).

5.8 **Effectiveness of the Scheme**

5.8.1 Subject to the provisions of this Scheme, this Scheme shall become effective on the last of the following dates (the "**Effective Date**"):

(i) the Scheme being agreed to by the respective requisite majorities of the various classes of members and creditors (where applicable) of the Transferor Company and the Transferee Company as required under the 1956 Companies Act, 2013 Companies Act and the requisite orders of the Company Court being obtained;

(ii) the Transferee Company obtaining final approval from the RBI for undertaking banking operations under the Banking Regulation Act 1949, including in relation to the capitalisation of the Transferee Company, if required and such other approvals from the RBI as the Board of Directors of the Transferor Company and the Transferee Company may decide to seek as a condition to the effectiveness of the Scheme;



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(iii) receipt of consent of the Securities and Exchange Board of India in relation to capitalisation of the Transferee Company between the date of sanction of this Scheme by the Company Court and the date of the drawn up order in relation to the Scheme;

(iv) receipt of such other sanctions and approvals including sanction of any governmental authority (including the Securities and Exchange Board of India) or stock exchanges as may be required by law in respect of the Scheme being obtained; and

(v) the certified copies of the court orders referred to in this Scheme being filed with the Registrar of Companies

5.9 **Miscellaneous Provisions**

5.9.1 In the event of this Scheme failing to take effect finally by 31 March 2016 or by such later date as may be agreed by the respective Boards of Directors of the Transferor Company and the Transferee Company, this Scheme shall become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred inter se by the parties or their shareholders or creditors or employees or any other person. In such case each company shall bear its own costs or shall bear costs as may be mutually agreed.

5.9.2 If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Board of Directors of the Transferor Company and the Transferee Company, affect the validity or implementation of the other parts and/or provisions of this Scheme.

5.10 **Saving of Concluded Transactions**

The transfer and vesting of the assets, liabilities and obligations of the Financing Undertaking in accordance with the provisions of this Scheme and the continuance of the legal proceedings by or against the Transferee Company shall not affect any transaction or proceedings already completed by the Transferor Company on or before the Appointed Date and the Transferee Company accepts all acts, deeds and things done and executed by and/or on behalf of the Transferor Company as acts, deeds and things done and executed by and on behalf of the Transferee Company.

5.11 **Residual**

5.11.1 Upon this Scheme becoming effective, the Transferee Company shall be entitled to operate all bank accounts, cash and deposits relating to the Financing Undertaking, realise all monies and complete and enforce all pending contracts and transactions in respect of the Financing Undertaking in the name of the Transferor Company to the extent necessary.

5.11.2 Upon this Scheme becoming effective, the Transferee Company shall be entitled to occupy and use all premises, whether owned, leased or licensed, relating to the Financing Undertaking until the transfer of the rights and obligations of the Transferor Company pertaining to the Financing Undertaking to the Transferee Company under this Scheme is formally accepted by the parties concerned.



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## Schedule 1
### Depository Participant Accounts

| Particulars | CDSL | CDSL | CDSL |
|---|---|---|---|
| DP ID | 16013900 | 16010100 | 16010100 |
| Client ID | 00003783 | 00254967 | 00109226 |
| DP Name | DEUTSCHE BANK A.G. | Stock Holding Corp of India | Stock Holding Corp of India |
| Beneficiary Name | IDFC | IDFC | IDFC |

| Particulars | NSDL | NSDL | NSDL |
|---|---|---|---|
| DP ID | IN300167 | IN301330 | IN301330 |
| Client ID | 10010559 | 18708113 | 18708105 |
| DP Name | DEUTSCHE BANK A.G. | Stock Holding Corp of India | Stock Holding Corp of India |
| Beneficiary Name | IDFC | IDFC | IDFC |

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WITNESS, The Hon'ble Thiru SANJAY KISHAN KAUL, Chief Justice of Madras High Court, aforesaid this the 25th day of June, 2015.

Sd/-
DEPUTY REGISTRAR(O.S).

//CERTIFIED TO BE A TRUE COPY//
DATED THIS THE 3rd DAY OF July 2015.

COURT OFFICER.

From 25th September 2008 the Registry is issuing certified copies of the Orders/Judgments/Decree in this format.

HIGH COURT OF JUDICATURE AT MADRAS
सत्यमेव जयते

kam/30/6/2015

COMP.PETN.NOS.191 AND 192
OF 2015

ORDER DATED:25.06.2015

THE HON'BLE MRS.JUSTICE
PUSHPA SATHYANARAYANA

FOR APPROVAL ON:01/07/2015

APPROVED ON:01/07/2015

COPY TO:-

1. The Regional Director,
Southern Region,
5th Floor, Ministry of
Corporate Affairs,
No.26, Haddows Road,
Chennai-6.

2. The Registrar of
Companies, II Floor,
No.26, Haddows Road,
Chennai-6.

AW 0018884

HIGH COURT, MADRAS
ORIGINAL SIDE

C.A. No. 7960

Applied 25/6/15

Stamp called for

Stamps put in 1/7/15

Ready 3/7/15