



EMKAY TOOLS

**EMKAY TAPS AND CUTTING TOOLS LTD.**

Registered Office & factory Address: B-27 & B-27.1, M.I.D.C. Industrial Area, Hingna Road, Nagpur-440016 (India)  
CIN: L29220MH1995PLC091091

**November 12, 2024**

**National Stock Exchange of India Limited**

Exchange Plaza  
Plot No. C/1, G Block  
Bandra Kurla Complex  
Bandra (East), Mumbai 400 051.  
Series: SM

Symbol: EMKAYTOOLS

Dear Sirs,

**Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Update on the Composite Scheme of Arrangement**

Further to our letter dated October 31, 2024, in relation to the captioned subject, attached is the certified copy of the order dated November 12, 2024 of the Hon'ble National Company Law Tribunal, Mumbai Bench ["Order"] sanctioning the Composite Scheme of Arrangement between Emkay Taps and Cutting Tools Limited and of Emkay Tools Limited and their respective shareholders ["Scheme"] pursuant to the provisions of Section 230 to 232 read with Section 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and rules made thereunder.

You are requested to take the same on your record.

Thanking You,

Yours truly,

For Emkay Taps and Cutting Tools Limited

ADITYA  
VINOD  
KOKIL

Digitally signed by ADITYA VINOD  
DN: cn=ADITYA VINOD, o=EMKAY TAPS AND CUTTING TOOLS LTD., email=aditya.vinod@emkaytools.com, c=IN

**Aditya Vinod Kokil**  
**Company Secretary & Compliance Officer**



**NATIONAL COMPANY LAW TRIBUNAL**  
**MUMBAI BENCH, COURT-II**

9. Company Application/279/2024 and C.P.(CAA)/122(MB)2024 In  
C.A.(CAA)4(MB)2024

**CORAM:**

**SHRI ANIL RAJ CHELLAN**  
**HON'BLE MEMBER (T)**

**SHRI KISHORE VEMULAPALLI**  
**HON'BLE MEMBER (J)**

**ORDER SHEET OF THE HEARING OF MUMBAI BENCH OF THE  
NATIONAL COMPANY LAW TRIBUNAL ON 28.10.2024**

**NAME OF THE PARTIES: - Emkay Taps and Cutting Tools Limited**  
**IN THE MATTER OF**  
**EMKAY TAPS AND CUTTING TOOLS**  
**LIMITED**

**Section: - 230-232 of Companies Act, 2013**

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**ORDER**

**C.P.(CAA) 122(MB) 2024 in C.A.(CAA) 4(MB)2024**

**Presence:-**

Mr. Harsh C Ruparelia, CA ... for Petitioner

Ms. Prachi Wazalwar a/w Adv. Arusha Bapat, Adv. ... for Income Tax

Ms. Gouri Killedar, AD (VC) ... for RD

The authorized representative of the Income Tax Department is present through VC and submits that the Income Tax Department has no objection to the scheme. The representative of RD submits that the report of the RD has already been submitted and RD has also no objection for the approval of the scheme. Heard Counsel for the parties for a considerable time. Detailed order will follow vide separate sheet.

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Company Application 279 of 2024

Presence:-

Mr. Harsh C Ruparelia, CA

... for Petitioner

The present Application is filed by the Petitioner for an early hearing of the main matter i.e. C.P.(CAA) 122(MB) 2024 in C.A.(CAA) 4(MB)2024. The present Application has become infructuous since the main matter is heard today. Accordingly, Company Application 279 of 2024 is disposed of having become infructuous.

Sd/-  
ANIL RAJ CHELLAN  
Member (Technical)  
*Anil*

Sd/-  
KISHORE VEMULAPALLI  
Member (Judicial)



Certified True Copy \_\_\_\_\_  
Date of Application 29/10/2024  
Number of Pages 2  
Fee Paid Rs. 10/-  
Applicant called for collection copy on 12/11/2024  
Copy prepared on 12/11/2024  
Copy issued on 12/11/2024

*[Signature]*  
12/11/2024  
Deputy Registrar  
National Company Law Tribunal, Mumbai Bench



IN THE NATIONAL COMPANY LAW TRIBUNAL,  
MUMBAI BENCH, COURT – II

COMPANY SCHEME PETITION NO. C.P. (CAA) / 122 (MB) / 2024

CONNECTED WITH

COMPANY SCHEME APPLICATION NO. C.A. (CAA) / 4 (MB) / 2024

In the matter of the Companies Act, 2013

AND

In the matter of Sections 230 to 232 read with Section 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 read with Companies (Compromises, Arrangements and Amalgamation) Rules, 2016

AND

In the matter of Scheme of Arrangement between Emkay Taps And Cutting Tools Limited ('Demerged Company') and Emkay Tools Limited ('Resulting Company') and their respective Shareholders ('the Scheme' or 'this Scheme')

Details of the Petitioner Companies:

Emkay Taps and Cutting Tools Limited, )

a public limited company incorporated un- )

der the provisions of the Companies Act, )

1956, having its registered office at Plot No. )

B-27, and B-27/1, MIDC Hingna, Industrial )

Estate, Nagpur, Maharashtra - 440016, India )

CIN: L29220MH1995PLC091091 )

Emkay Tools Limited, a public limited )

company incorporated under the provisions )

... First Petitioner Company /

Demerged Company





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of the Companies Act, 2013, having its reg- }  
istered office at B-27/1, MIDC Hingna, In- }  
dustrial Estate, Nagpur, Maharashtra - }  
440016, India } ... Second Petitioner Company /  
CIN: U25939MH2023PLC401627 } Resulting Company  
.... Collectively known as Petitioner Companies

Order delivered on 28<sup>th</sup> October 2024

CORAM:

Shri. Anil Raj Chellan  
Member (Technical)

Shri. Kishore Vemulapalli  
Member (Judicial)

Appearances:

**For the Petitioner Companies:** CA Harsh C. Ruparelia i/b A R C H and Associates,  
Professional

**For the Regional Director:** Ms. Gauri Killedar, Authorised Representative on behalf  
of Regional Director, Western Region.

**For the Income-tax Department:** Ms. Prachi Wazalwar a/w Ms. Arusha Bapat,  
Advocates

Order

*Per: Coram*

1. Heard the Professional for the Petitioner Companies. No objector has come before the Tribunal to oppose the Petition and nor any party has controverted any averments made in the Petition.



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2. The sanction of this Tribunal is sought under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 ('Act') in the matter of Scheme of Arrangement for demerger between Emkay Taps And Cutting Tools Limited ('Emkay Taps' or 'Demerged Company') and Emkay Tools Limited ('Emkay Tools' or 'Resulting Company') and their respective Shareholders ("the Scheme" or "this Scheme").
3. The Professional for the Petitioner Companies submits that the First Petitioner Company is engaged in the business of manufacturing, import, export, buy, sell and to deal in all kinds of high-speed steel cutting tools, taps, rings and mills, reamers and other machine and cutting tools. The First Petitioner Company is also engaged in the business of production of power through windmills located in Rajasthan and Karnataka.
4. The Professional for the Petitioner Companies submits that the Second Petitioner Company is incorporated for the purpose of engaging in the business of manufacturing threading taps and cutting tools.
5. The Professional for the Petitioner Companies submits that the Board of Directors of the First Petitioner Company and Second Petitioner Company vide their resolution dated 29<sup>th</sup> June 2023, approved the Scheme of Arrangement between Emkay Taps and Emkay Tools and their respective Shareholders. The Appointed Date for the Scheme is 1<sup>st</sup> April 2024.
6. The Professional for the Petitioner Companies submits that the Second Petitioner Company is a wholly owned subsidiary of the First Petitioner Company. Accordingly, simultaneous with the issuance of the Equity Shares in accordance with the provisions of the Scheme, the existing shares held by the First Petitioner Company (directly and through its nominees) in the Second Petitioner Company shall



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stand automatically cancelled without any further application, act, instrument or deed. The Board of Directors of the First Petitioner Company and the Second Petitioner Company are of the opinion that the Demerger of Business under this Scheme would result in benefit to the Companies and the Shareholders. The demerger will interalia have the following benefits:

- Segregation of the businesses will unlock the true potential of each business vertical, which will allow more focused strategy, management bandwidth and attention to execute each business segment's respective vision.
- Strengthening customer service, distribution network and overall economies of scale for all the business verticals.
- Provide higher degree of flexibility to evaluate independent business opportunities.
- Enhance the financial performance to enable use of assets from its primary mode of business and generate revenues which in turn be strengthening the company's overall financial health over a period of time.
- Effective and streamlined decision making will enable improved business risk management that can help take advantage of risks that are worth taking against potential benefits and prevent unacceptable risks being taken.
- Pursuant to the Scheme, the equity shares issued by the Resulting Company would be listed on National Stock Exchange of India Ltd. NSE EMERGE SME platform and will unlock the true value of the Demerged Undertaking for the shareholders of the Demerged Company. Further the existing shareholders of the Demerged Company would hold the shares of two listed entities after the Scheme becoming effective; giving them flexibility in managing their investments in the two businesses having differential dynamics.
- The Scheme is in the best interests of the respective entities and their stakeholders including their respective shareholders. Further, the Scheme shall not be prejudicial to the interest of the creditors, since it does not involve any compromise or arrangement with the creditors of the Demerged Company or





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the Resulting Company.

7. The Professional for the Petitioner Companies submits that the Company Scheme Petition has been filed in consonance with the order dated 12<sup>th</sup> February 2024, passed by this Hon'ble Tribunal in C.A.(CAA) / 4 / MB / 2024 (annexed as Exhibit 16 (Page Nos. 333 – 343)). The Hon'ble Tribunal had directed to convene the meeting of Equity Shareholders of First Petitioner Company and to obtain consent from the Unsecured Creditors of the Second Petitioner Company (annexed as Exhibit 21 (Page Nos. 460 – 462)). Further, the meetings of Equity shareholders of the Second Petitioner Company, secured creditors of the Petitioner Companies and meeting of the Unsecured Creditors of the First Petitioner Company were dispensed with by the Hon'ble Tribunal vide its order. Accordingly, the First Petitioner Company conducted meeting of its Equity Shareholders as per the direction of the Hon'ble Tribunal in its order dated 12<sup>th</sup> February 2024 on May 2, 2024. The scheme was approved by the requisite majority of the First Petitioner Company. The compliance Affidavit of Service confirming service of NCLT convened meeting's notice to Equity Shareholders (annexed as Exhibit 22 (Page Nos. 463 – 892)) was submitted with the Hon'ble Tribunal on 24<sup>th</sup> April 2024. The Chairman's report (annexed as Exhibit 18 (Page Nos. 383 – 453)) in respect of the aforesaid shareholders meeting was filed on May 30, 2024.
8. The Professional for the Petitioner Companies states that the Petitioner Companies have complied with all the requirements as per directions of the Hon'ble Tribunal. Moreover, the Petitioner Companies undertake to comply with all statutory requirements, if any, as required under the Companies Act, 2013 and the Rules & Regulations made there under. The said undertaking is accepted.





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9. The Regional Director, Western Region on behalf of the Central Government has filed its Report dated 25<sup>th</sup> July 2024 ('Report'). The observations of the Central Government on the Scheme are submitted as paragraph 2 (a) to (I) of the Report. In response to the observation made by the Central Government, the Petitioner Companies have also given necessary undertakings and clarification vide their joint affidavit in reply to observations of the Regional Director, Western Region dated 17<sup>th</sup> August 2024. The observations made by the Central Government and the clarifications and undertakings given by the Petitioner Companies are summarized in the table below:

| Para No. | Observations as per the report of the Regional Director, Western Region dated 25 <sup>th</sup> July 2024   | Response of the Petitioner Companies  |
|----------|--|---|
| 2(a)     | <p><i>That on examination of the report of the Registrar of Companies, Mumbai dated 09.07.2024 for Petitioner Companies that the Petitioner Companies falls within the jurisdiction of ROC, Mumbai. It is submitted that no representation regarding the proposed scheme of Arrangement has been received in the matter of Petitioner Company.</i></p> <p><i>Further, the Petitioner Company has filed Financial Statements up to 31.03.2023.</i></p> <p><i>The ROC has further submitted that in his report dated 09.07.2024 which are as under:</i></p> <p><i>i. That the ROC Mumbai in his report dated 09.07.2024 has also stated that No Inquiry, Inspection, Investigations, Prosecutions and Complaints under Companies Act, 2013 are pending against the Petitioner Companies.</i></p> <p><i>ii. Further ROC has mentioned as follows: -</i></p> | <p>As far as the observation of the Regional Director, as stated in 2(a) is concerned, the Petitioner Companies submit as follows: -</p> <ul style="list-style-type: none"> <li>• The Petitioner Companies submit that as noted by the Registrar of Companies, Mumbai, there is no inquiry, inspection, investigation, prosecutions, or complaints pending against the Petitioner Companies. This is factual information, and no clarification is required for the same.</li> <li>• The Petitioner Companies submit that the First Petitioner Company had served notices along with copy of Company Scheme Application No. C.A. (CAA) / 4 / MB / 2024 upon: (i) concerned Income Tax Authority within whose jurisdiction the First Applicant Company's assessments are made (i.e. AACE4308G,</li> </ul> |





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| <p>a. NCLT vide order dated 13.03.2024 has directed the applicant companies to circulate notice to following regulators apart from MCA &amp; ROC.</p> <ul style="list-style-type: none"><li>• Concerned Income Tax Authorities</li><li>• Nodal Authority in the Income Tax Department have respective jurisdiction</li><li>• Concerned GST Authorities</li><li>• NSE</li><li>• SEBI</li><li>• Any other Sectoral Regulatory Authority</li></ul> <p>However, the Company has submitted proof of dispatch but has not submitted proof of delivery or the Applicant Companies has not submitted acknowledgement of the same to ROC.</p> <p>b. The interest of the creditors should be protected.</p> <p>The Petitioner Companies may please be directed to submit a reply on the above observation of jurisdictional ROCs.</p> | <p>DCIT/ACIT Circle – 4, BSNL RITC Building, Seminary Hills, Nagpur – 440 006) and (ii) the Central Government through the office of Regional Director, Western Region, Everest, 5th Floor, 100, Marine Drive, Mumbai – 400 002 and (iii) Registrar of Companies, Maharashtra at Mumbai, 100, Everest, Marine Drive, Mumbai – 400002 Maharashtra and (iv) the Goods and Service Tax Authorities – Maharashtra (Jurisdiction – Center) (GSTN – 27AAACE4308G1ZZ), Principal Commissioner, Office of the Assistant Commissioner, Division - Hingna, Commissionerate – Nagpur I, Plot No. 35, Sector – A, CIDCO Layout, Village Renepar, Near Lokmat Press, Buttibori, Nagpur, Maharashtra – 441122 and (v) the Goods and Service Tax Authorities – Maharashtra (Jurisdiction – State) (GSTN-27AAACE4308G1ZZ), Office of the Deputy Commissioner of State Tax (E-003), Wadi-501, 1st Floor, New Building, GST Bhavan, Civil Lines, Nagpur- 440 001, Maharashtra and (vi) the Goods and Service Tax Authorities – Rajasthan (Jurisdiction – Center) (GSTN – 08AAACE4308G1ZZ), Superintendent Central Goods And Services Tax, Range - GST Range - VIII – Jaisalmer, Division - GST Division – B Jodhpur, Commissionerate – Jodhpur, Customs Division, B T Tank Road Jaisalmer, Rajasthan – 345 001</p> |
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|  | <p>and (vii) the Goods and Service Tax Authorities – Rajasthan (Jurisdiction – State) (GSTN - 08AAACE4308G1ZZ), Commercial Tax Department (State Tax), Ramgarh Road, Near Central Jail Jaisalmer, Ward-1, Circle-Jaisalmer Jodhpur I, Rajasthan, 345 001 and (viii) the Goods and Service Tax Authorities – Karnataka (Jurisdiction – Center) (GSTN - 29AAACE4308G1ZV), Principal Commissioner of Central Tax, Range – AED3, Division – East Division -3, Commissionerate – Bengaluru East, TTMC/BMTC Building, Old Airport Road, Domlur, Bengaluru (Bangalore) Urban, Karnataka – 560 071 and (ix) the Goods and Service Tax Authorities – Karnataka (Jurisdiction – State) (GSTN - 29AAACE4308G1ZV), The Assistant Commissioner of Commercial taxes, (Department Of Commercial Taxes), Office of the Asst. Commissioner of Commercial Taxes, LGSTO-057, 1st Stage, 2nd block, HBR Layout, Kalyan Nagar Bengaluru-560 043, Karnataka and (x) National Stock Exchange of India Limited (Trading Symbol – EMKAYTOOLS), Exchange Plaza, C-1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 and (xi) Securities and Exchange Board of India (Trading Symbol – EMKAYTOOLS), Chief General Manager / Deputy General Manager, Corporation Finance Department, SEBI Bhavan BKC, Plot</p> |
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|  | <p>No.C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra, India / SEBI Bhavan II BKC, Plot no. C-7, 'G' Block, Bandra Kurla Complex, Bandra(E), Mumbai – 400 051, Maharashtra, India and (xii) Nodal Officer of Income Tax Department, Principal Chief Commissioner of Income Tax, 3rd Floor, Aaykar Bhawan, Maharishi Karve Road, Mumbai – 400 020, Maharashtra and at e mail: Mumbai.pccit@incometax.gov.in. The Petitioner Companies states that, an Affidavit proving service of notice to Regulatory Authorities was filed with this Hon'ble Tribunal on 25th April 2024. The Petitioner Companies crave leave to rely upon the said Affidavit of Service filed before the Hon'ble Tribunal.</p> <ul style="list-style-type: none"><li>• The Petitioner Companies submit that the Second Petitioner Company had served notices along with copy of Company Scheme Application No. C.A. (CAA) / 4 / MB / 2024 upon: (i) concerned Income Tax Authority within whose jurisdiction the Second Applicant Company's assessments are made (i.e. PAN: AAHCE5302K, ITO Ward - 4(4), BSNL RTTC Building, Seminar Hills, Nagpur – 440 006) and (ii) the Central Government through the office of Regional Director, Western Region, Everest, 5th Floor, 100, Marine Drive, Mumbai – 400 002 and (iii) Registrar of Companies, Maharashtra at Mumbai, 100, Everest, Marine Drive, Mumbai – 400 002 Maharashtra</li></ul> |
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|  | <p>and (iv) the Goods and Service Tax Authorities - Maharashtra (Jurisdiction - Center) (GSTN - 27AAHCE5302K1ZN), Principal Commissioner, Office of the Assistant Commissioner, Division - Hingna, Commissionerate - Nagpur I, Plot No. 35, Sector - A, CIDCO Layout, Village Renepar, Near Lokmat Press, Buttibori, Nagpur, Maharashtra - 441122 and (v) the Goods and Service Tax Authorities - Maharashtra (Jurisdiction - State) (GSTN - 27AAHCE5302K1ZN), Office of the Deputy Commissioner of State Tax (E-003), Wadi-501, 1st Floor, New Building, GST Bhavan, Civil Lines, Nagpur- 440 001, Maharashtra and (vi) Nodal Officer of Income Tax Department, Principal Chief Commissioner of Income Tax, 3<sup>rd</sup> Floor, Aaykar Bhawan, Maharishi Karve Road, Mumbai - 400 020, Maharashtra and at e-mail: <a href="mailto:Mumbai.pccit@incometax.gov.in">Mumbai.pccit@incometax.gov.in</a>. The Petitioner Companies states that, an Affidavit proving service of notice to regulatory authorities was filed with this Hon'ble Tribunal on 25th April 2024. The Petitioner Companies crave leave to rely upon the said Affidavit of Service filed before the Hon'ble Tribunal.</p> <ul style="list-style-type: none"><li>• The Petitioner Companies state that, as far as the unsecured creditors of the Petitioner Companies are concerned, the present Scheme is an arrangement between the Petitioner Companies and their respective</li></ul> |
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|       |   | <p>shareholders as contemplated under Section 230(1)(b) of the Companies Act, 2013 and not in accordance with the provisions of Section 230(1)(a) of the Companies Act 2013, as there is no Compromise and/or Arrangement with the creditors, as no sacrifice is called for. The rights of the creditors will not be affected as the assets of the Transferee Company post sanctioning the Scheme will be sufficient to pay off all the creditors in the ordinary course of business. Thus, the interest of the creditors is not affected. The Petitioner Companies submit that the Scheme is not detrimental to the interest of creditors of the Companies. The rights of the creditors of the Petitioner Companies are not affected as all the creditors would be paid off in the ordinary course of business. The assets of the Petitioner Companies will be sufficient to discharge its claims and further, proposed Scheme also does not involve any compromise or arrangement with any Creditors of the Petitioner Companies. Hence, the Petitioner Companies affirm that the interest of creditors is duly protected. Therefore, the Petitioner Companies submits that the Company scheme Petition may be decided on merits.</p> |
| 2 (b) | <p><i>In compliance of Accounting Standard-14 or IND-AS 103, as may be applicable, the Petitioner company shall pass such accounting entries which are necessary in connection with the scheme to comply with</i></p> | <p>As far as the observation of the Regional Director, as stated in para 2(b) is concerned, the Petitioner Company undertakes to pass such accounting entries which are necessary, in connection with the Scheme, to comply with</p>  |



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|       | <i>other applicable Accounting Standards including AS-5 or IND AS-8 etc..</i>   | the Companies (Accounting Standards) Rules, 2021, <i>inter alia</i> with Accounting Standards such as AS-14 (If applicable), AS-5, etc or other accounting standards, as applicable to the petitioner Companies.   |
| 2 (c) | <i>The Hon'ble Tribunal may kindly direct the Petitioner Companies to file an affidavit to the extent that the Scheme enclosed to the Company Application and Company Petition are one and same and there is no discrepancy, or no change is made.</i>  | As far as the observation of the Regional Director, as stated in para 2(c) is concerned, the Petitioner Companies submit and confirm by way of Affidavit that the Scheme enclosed to the Company Scheme Application and Company Scheme Petition are one and the same and there is no discrepancy or deviation.   |
| 2 (d) | <i>The Petitioner Companies under provisions of section 230(5) of the Companies Act 2013 have to serve notices to concerned authorities which are likely to be affected by the Amalgamation or arrangement. Further, the approval of the scheme by the Hon'ble Tribunal may not deter such authorities to deal with any of the issues arising after giving effect to the scheme. The decision of such authorities shall be binding on the petitioner companies concerned.</i> | As far as the observation of the Regional Director, as stated in para 2(d) is concerned, the Petitioner Company submits that in accordance with Section 230(5) of the Companies Act, 2013 and Order delivered by the Hon'ble NCLT on March 13, 2024, the Petitioner Companies have served notices to all the relevant regulatory authorities. Details of the same are submitted in para 2(a). Also, the Petitioner Companies have filed Affidavit of Service with the Hon'ble NCLT in this regard. Further, the Petitioner Companies also undertake that any issues arising out of the Scheme will be met and answered in accordance with law, subject to appropriate rights and remedies available to the Petitioner Companies under the applicable law. The Petitioner Companies further affirm that the decisions of such authorities shall be binding on the Petitioner Companies. |





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| <p>2 (e)</p> | <p><i>The Hon'ble Tribunal may kindly seek the undertaking that this scheme is approved by the requisite majority of members and creditors as per section 230(6) of the Act in meetings duly held in terms of Section 230(1) read with subsection (3) to (5) of section 230 of the Act and the Minutes, thereof are duly placed before the Tribunal.</i></p> | <p>As far as the observation of the Regional Director, as stated in para 2(e) is concerned, the Petitioner Companies submit as follows:-</p> <p><i>In respect of shareholders;</i></p> <ul style="list-style-type: none"><li>• The Petitioner Companies submits that the First Petitioner Company has conducted meeting of its shareholders on Thursday, May 2, 2024, wherein the Scheme was approved with requisite majority. The consolidated report of Scrutinizer on voting conducted in respect of the meeting convened at direction of the Hon'ble NCLT for the meeting of Equity Shareholders of Petitioner Companies are annexed as Exhibit 4 to the joint affidavit in reply to observations of the Regional Director. Further, the minutes of the meeting held on May 2, 2024, is annexed and marked as Exhibit 5 to the joint affidavit. A copy of the report filed by the Chairman in respect of the above is enclosed as Exhibit 6 to the joint affidavit and as Exhibit 18 to Company Scheme Petition.</li><li>• The Petitioner Companies submit that the Second Petitioner Company has obtained affidavits from all the Equity Shareholders, which are annexed to the Company Scheme Application. Hence, the Hon'ble Tribunal was pleased to dispense with the meeting of the Equity Shareholders of the Second Petitioner Company.</li></ul> <p><i>In respect of secured creditors</i></p> <ul style="list-style-type: none"><li>• The Petitioner Companies submit that the First Petitioner Company has obtained No</li></ul> |
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|       |  | <p>Objection Certificate from the Secured creditors of the First Petitioner Company, which were annexed to the Company Scheme Application. Hence, the Hon'ble Tribunal was pleased to dispense with the meeting of the Secured Creditors of the First Petitioner Company.</p> <ul style="list-style-type: none"><li>The Petitioner Companies submit that the Second Petitioner Company does not have any secured creditors and therefore, the Second Petitioner Company is not required to obtained consent of the secured creditors.</li></ul> <p><i>In respect of unsecured creditors</i></p> <ul style="list-style-type: none"><li>The Petitioner Companies submit that the First Petitioner Company has obtained consents in writing from more than 90% in value of its unsecured creditors, which were annexed to the Additional Affidavit filed in support of the Joint Company Scheme Application. Hence, the Hon'ble Tribunal was pleased to dispense with the meeting of the Unsecured Creditors of the First Petitioner Company.</li><li>The Petitioner Companies submit that the Second Petitioner Company has obtained consents in writing from 100% in value of its unsecured creditors, which is annexed to the Company Scheme Petition. Hence, the Hon'ble Tribunal was pleased to dispense with the meeting of the Unsecured Creditors of the Second Petitioner Company.</li></ul> |
| 2 (f) | <p><i>As per Definition of the Scheme, "Appointed Date" means April 1, 2024 or such other date as may be approved by the</i></p> | <p>As far as the observation of the Regional Director, as stated in para 2(f) is concerned, Clause 1.4 of the Scheme provides for</p>  |





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| <p><i>Hon'ble National Company Law Tribunal, Mumbai Bench for Part II of this Scheme;</i></p> <p><i>"Effective Date" means last of the dates on which the conditions and matters referred to in clause 18 of this Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with this Scheme. References in this Scheme to "coming effect of this Scheme" or "effectiveness of this Scheme" or "Scheme becoming effective" shall mean the Effective Date;</i></p> <p><i>In this regard, it is submitted that section 232(6) of the Companies Act, 2013 states that the scheme under this section shall clearly indicate an appointed date from which it shall be effective, and the Scheme shall be deemed to be effective from such date and not at a date subsequent to the appointed date. However, this aspect may be decided by the Hon'ble Tribunal taking into account of its inherent powers.</i></p> <p><i>Petitioner Companies shall undertake to comply with the requirements as clarified vide circular no. F. No. 7/12/2019/CL-I dated 21.08.2019 issued by the Ministry of Corporate Affairs.</i></p> | <p>Appointed Date, which is a calendar date i.e., April 01, 2024 and Clause 1.10 of the Scheme provides for the Effective Date from which the Scheme shall take effect. Accordingly, the Scheme is in compliance with Section 232(6) of the Companies Act 2013 and also in compliance with the circular no. F, No.7/12/2019/CL-1 dated 21.08.2019 issued by the Ministry of Corporate Affairs.</p> |
| <p>2 (g) <i>Petitioner Companies shall undertake to comply with the directions of Income tax department &amp; GST department, if any.</i></p>   | <p>As far as the observation of the Regional Director, as stated in para 2(g) is concerned, the Petitioner Companies undertake to comply with all the applicable provisions of provisions of the Income-tax Act, 1961, applicable Goods and Service Tax laws, and the directions of the Income Tax department, if any,</p>   |



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C.P. (CAA) / 122 (MB) / 2024

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|      |  |   |
|------|--|---|
|      |  | and Goods and Service Tax Department, if any, in connection with the Scheme, subject to appropriate rights and remedies available to the Petitioner Companies under the applicable law.   |
| 2(h) | <i>Petitioner Companies shall undertake to comply with the directions of the concerned sectoral Regulatory, if any.</i>  | As far as the observation of the Regional Director, as stated in para 2(h) is concerned, the Petitioner Companies submit that there is no sectoral regulator which governs the activities of the Petitioner Companies, and therefore the question of complying with any directions of sectoral regulator does not arise.  |
| 2(i) | <i>It is submitted that the Petitioner / Demerged Company and Resulting Company has stated that the scheme is in compliance of section 2(19AA), in this regard, petitioner company may be directed to place on record that as how this scheme is in compliance of section 2(19AA) of the Income Tax Act, 1961.</i> | So far as the observation of the Regional Director, as stated in 2(i) is concerned, it is submitted that the Petitioner Companies submit that the Scheme is in compliance with the provision of section 2(19AA) of the Income-tax Act, 1961, as it complies with all the conditions specified in section 2(19AA).   |
| 2(j) | <i>Petitioner Company shall undertake to provide statements of Assets and Liabilities to be transferred to the Resulting Company.</i>  | As far as the observation of the Regional Director, as stated in 2(j) is concerned, all the assets and liabilities as on the Appointed Date (as defined in the Scheme) belonging to the Demerged Undertaking (as defined in the Scheme) of the Demerged Company shall be transferred and vested with the Resulting Company, upon coming into effect of the present Scheme. The Petitioner Companies have furnished the indicative statement of Assets and Liabilities at <u>Exhibit 1</u> to be demerged and be transferred to the Resulting Company along with the indicative value of such assets and liabilities as on the appointed |





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|  |  | date, i.e., 1 <sup>st</sup> April 2024 along with the Affidavit in reply to the observations of the Regional Director. The Petitioner Companies undertake that the liabilities getting transferred on the Effective Date will be taken care by both the Petitioner Companies.  |   |                         |               |  |                                     |                |   |                            |                        |                |           |  |
|--|--|--|---|-------------------------|---------------|--|-------------------------------------|----------------|---|----------------------------|------------------------|----------------|-----------|--|
| 2(k)   | <i>k) Petitioner Demerged Company is Listed Company hence Petitioner Companies shall undertake to comply with the observation letter issued by NSE dated 22.09.2023 also comply with the SEBI(LODR) Regulations, 2016.</i>   | As far as the observation of the Regional Director, as stated in para 2(k) is concerned, the Petitioner Companies submit and confirm that the Petitioner Companies has complied with directions of the observation letter of NSE from time to time, as applicable. Further, the Petitioner Companies undertake to comply with the observation letter issued by the NSE dated September 22, 2023, and also with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2016. |   |                         |               |  |                                     |                |   |                            |                        |                |           |  |
| 2(i)   | <i>1) It is observed from Financial Statements as on 31.03.2023 of Petitioner Companies, details of shareholding is as follows: -</i>  | As far as the observation of the Regional Director, as stated in para 2(i) is concerned, the Petitioner Companies submits that they have submitted Form-BEN 2 vide SRN AA9743453 and SRN AA9745152. Therefore, it is submitted that the Petitioner Companies are in compliance with the provisions of section 90 of the Companies Act, 2013 read with Companies (Significant Beneficial Owners) Amendment Rules, 2019, thereunder.   |   |                         |               |  |                                     |                |   |                            |                        |                |           |  |
|  | <table border="1"> <thead> <tr> <th><i>Petitioner Company</i></th> <th><i>Name of Shareholder</i></th> <th><i>% of shares held</i></th> <th><i>Remark</i></th> </tr> </thead> <tbody> <tr> <td><i>Emkay Tools and Cutting Tools Limited</i></td> <td><i>Nagpur Tools Private Limited</i></td> <td><i>17.74 %</i></td> <td><i>No Form BEN - 2 has been filed by the Petitioner Companies</i></td> </tr> <tr> <td><i>Emkay Tools Limited</i></td> <td><i>Emkay Tools and</i></td> <td><i>99.94 %</i></td> <td><i>es</i></td> </tr> </tbody> </table> | <i>Petitioner Company</i>  | <i>Name of Shareholder</i>  | <i>% of shares held</i> | <i>Remark</i> | <i>Emkay Tools and Cutting Tools Limited</i> | <i>Nagpur Tools Private Limited</i> | <i>17.74 %</i> | <i>No Form BEN - 2 has been filed by the Petitioner Companies</i> | <i>Emkay Tools Limited</i> | <i>Emkay Tools and</i> | <i>99.94 %</i> | <i>es</i> |  |
| <i>Petitioner Company</i>                    | <i>Name of Shareholder</i>   | <i>% of shares held</i>  | <i>Remark</i>   |                         |               |  |                                     |                |   |                            |                        |                |           |  |
| <i>Emkay Tools and Cutting Tools Limited</i> | <i>Nagpur Tools Private Limited</i>  | <i>17.74 %</i>   | <i>No Form BEN - 2 has been filed by the Petitioner Companies</i> |                         |               |  |                                     |                |   |                            |                        |                |           |  |
| <i>Emkay Tools Limited</i>                   | <i>Emkay Tools and</i>   | <i>99.94 %</i>   | <i>es</i>   |                         |               |  |                                     |                |   |                            |                        |                |           |  |





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|  |  |                                      |  |   |  |
|--|--|--------------------------------------|--|---|--|
|  |  | <i>Cutting<br/>Tools<br/>Limited</i> |  | <i>as per<br/>records<br/>available<br/>at<br/>MCA21<br/>Portal</i> |  |
|--|--|--------------------------------------|--|---|--|

10. The observations made by the Regional Director, Western Region on behalf of the Central Government are enlisted herein in Para 9 above along with response of the Petitioner Companies on the observations of the Regional Director, Western Region filed vide affidavit of the Petitioner Companies dated 16<sup>th</sup> August 2024. The clarifications and undertakings given by the Petitioner Companies in Para 9 above are accepted by this Tribunal.
11. The Assistant Commissioner of Income Tax (TDS) ('ACIT (TDS)'), Circle-1, Nagpur, by virtue of the powers conferred under Section 230(5) of the Companies Act, 2013 to the Income Tax Department on behalf of the Central Government has filed its Report dated 10<sup>th</sup> August 2024 ('Report'). The observations of the Income Tax Department on the Scheme are submitted as paragraph 4 (i) to (vi), Paragraph 5 and Paragraph 6 of the Report. In response to the observation made by the Income Tax Department, the Petitioner Companies have also given necessary undertakings and clarification vide their joint affidavit in reply to observations of the ACIT (TDS), Circle-1, Nagpur dated 16<sup>th</sup> August 2024. The observations made by the Income Tax Department and the clarifications and undertakings given by the Petitioner Companies are summarized in the table below:



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| Para No. | Observations as per the report of the ACIT (TDS) dated 10 <sup>th</sup> August 2024   | Response of the Petitioner Companies  |
|----------|---|---|
| 4(i)     | <i>It should be clarified and undertaken that all pending proceedings against Emkay Taps and Cutting Tools Limited and Emkay Tools Limited shall be continued against the Resultant Company. Therefore, the Scheme should be without prejudice to the rights of the Income Tax (TDS) Department and the Income Tax (TDS) Department is free to proceed against the Resultant Company for all its proceedings.</i> | As far as the observation of the ACIT (TDS), as stated in para 4(i) is concerned, the Petitioner Companies submits that Para 9.1 (Legal Proceedings) of the Scheme provides for treatment of the pending proceedings against the Petitioner Companies pursuant to demerger. Therefore, it is submitted that all the pending proceedings under the Income-tax Act, 1961 in respect of the Demerged Undertaking shall be automatically and shall be continued against the Resulting Company pursuant to the Scheme. Furthermore, the Income Tax Department shall be free to initiate proceedings as per the provisions of the Income-tax Act, 1961 against the Resulting Company post coming into effect of the Scheme. Therefore, it is submitted that the Scheme is not prejudicial to the rights of the Income Tax Department. |
| 4(ii)    | <i>At the moment this scheme is not being examined with reference to the taxation aspect vis-à-vis other such scheme/s, if any. Thus, liberty be given that in future, if it is discovered that this scheme or similar such schemes are in any way acting as a device for tax-avoidance, then the Department will be at liberty to initiate the appropriate course of action as per law.</i>                      | As far as the observations of the ACIT (TDS), as stated in para 4(ii), para 4(iii), and para 4(iv) are concerned, the Petitioner Companies submits as follows:  |





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| Para No. | Observations as per the report of the ACIT (TDS) dated 10 <sup>th</sup> August 2024   | Response of the Petitioner Companies  |
|----------|---|---|
| 4(iii)   | <i>The Income Tax (TDS) Department will be at liberty to examine the aspect of any tax payable as a result of the Scheme and in case it is found that the scheme ultimately results in tax avoidance or is not in accordance to the provisions of the Income Tax Act, then the Department will be at liberty to initiate the appropriate course of action as per law.</i> | <ul style="list-style-type: none"><li>The Petitioner Companies submit that the Scheme involves demerger of the Demerged Undertaking into the Resulting Company with the intention of achieving the commercial benefits detailed in the Scheme. The Petitioner Companies submit that the Scheme does not involve and shall not result into any tax avoidance or tax evasion, and the demerger envisaged in the Scheme is purely a commercial transaction. The Scheme is not violative of any provisions of the Income-tax Act, 1961.</li></ul> |
| 4(iv)    | <i>It is further requested that the rights of the Income Tax Department should remain intact to take out appropriate proceedings regarding raising of any tax demand against the Resultant Company at any future date and these rights should not be adversely affected in view of the sanction of the Scheme.</i>  | <ul style="list-style-type: none"><li>The Petitioner Companies submit that they have no objection if the Income Tax Department initiates the appropriate course of action as per law in case it is discovered that this scheme or similar such Schemes are in any way acting as a device for tax-avoidance (subject to the rights and remedies available to the Petitioner Companies under the provisions of the Act).</li></ul>  |



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IN  
C.A. (CAA) / 4 (MB) / 2024

| Para No. | Observations as per the report of the ACIT (TDS) dated 10 <sup>th</sup> August 2024 | Response of the Petitioner Companies   |
|----------|---|--|
|          |   | <ul style="list-style-type: none"><li>The Petitioner Companies submit that there are adequate provisions under the Income-tax Act, 1961 which enable Income Tax Department to independently assess and determine the taxability for the present Petition once it is approved and given effect to, in accordance with the provisions of the Income-tax Act, 1961. The approval of the present Petition does not deter Income Tax Department to scrutinize / assess the tax return filed by the Petitioner Companies or its shareholders after giving effect to the proposed reduction of share capital. The above principle has been categorically upheld by Hon'ble Supreme Court in the case of Department of Income Tax v. Vodafone Essar Gujarat Ltd [SLP No. 29819/2012]. Further, the Petitioner Companies undertake that they shall provide all the relevant co-operation during the proceedings as may be initiated by the Income Tax Department in this regard.</li><li>The Petitioner Companies also undertake that they shall comply with all the applicable provisions of the Income-tax Act, 1961 and requisite tax compliance and discharge all the applicable taxes as is warranted under the Present petition, in accordance with the provisions of the Income-tax Act, 1961.</li></ul> |







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IN  
C.A. (CAA) / 4 (MB) / 2024

| Para No. | Observations as per the report of the ACIT (TDS) dated 10 <sup>th</sup> August 2024  | Response of the Petitioner Companies  |
|----------|--|---|
|          |  | <ul style="list-style-type: none"><li>Without prejudice to above, the Petitioner Companies also submit that post demerger under the present petition, they shall continue to exist as an income generating operating companies, and shall have sufficient net-worth and assets available to pay any additional income tax liability that may arise under the Act pertaining to the proposed Scheme, and if required, shall make appropriate arrangements to discharge the tax liability arising (subject to the rights and remedies available to the Petitioner Companies under the provisions of the Act).</li></ul> |
| 4(v)     | <i>It should be undertaken that scheme of arrangement will not in any manner affect the ability of the assessee that are due in accordance with the income tax Act and the same shall be paid in accordance with the Income Tax Act.</i> | As far as the observation of the ACIT (TDS), as stated in para 4(v) is concerned, the Petitioner Companies submits as follows: <ul style="list-style-type: none"><li>The Petitioner Companies hereby undertake that this scheme will not in any manner affect its ability to pay income tax dues that may arise under the provisions of the Income-tax Act, 1961, and the said dues, if any, shall be duly discharged by the Petitioner Companies in accordance with the provisions of the Income-tax Act, 1961.</li></ul>  |





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| Para No. | Observations as per the report of the ACIT (TDS) dated 10 <sup>th</sup> August 2024   | Response of the Petitioner Companies  |
|----------|---|---|
|          |   | <ul style="list-style-type: none"><li>Without prejudice to above, the Petitioner Companies also submit that post demerger under the present petition, they shall continue to exist as an income generating operating companies, and shall have sufficient net-worth and assets available to pay any additional income tax liability that may arise under the Act pertaining to the proposed Scheme, and if required, shall make appropriate arrangements to discharge the tax liability arising (subject to the rights and remedies available to the Petitioner Companies under the provisions of the Act).</li></ul> |
| 4(vi)    | <p><i>In this connection please find attached herewith list of consolidated demand. Further, it is submitted that the following proceedings are pending in respect of Emkay Taps and Cutting Tools Limited (PAN: /AAEE4308G). The said proceedings will be continued against the Resultant Company.</i></p> | <p>As far as the observation of the ACIT (TDS), as stated in para 4(vi) is concerned, the Petitioner Companies submits as follows:</p> <ul style="list-style-type: none"><li>In respect of the outstanding demand of INR 50,780 in case of the First Petitioner Company, it is submitted that the Petitioner Companies shall take suitable actions for clearing the outstanding demand, including but not limited to filing of rectification, correction, or appeals. Any outstanding demand remaining post the above shall be duly discharged by the Petitioner Companies.</li></ul>                                 |





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| Para No. | Observations as per the report of the ACIT (TDS) dated 10 <sup>th</sup> August 2024  | Response of the Petitioner Companies  |
|----------|--|---|
|          |  | <ul style="list-style-type: none"><li>Without prejudice to above, the Petitioner Companies also submit that post demerger under the present petition, they shall continue to exist as an income generating operating companies, and shall have sufficient net-worth and assets available to pay any additional income tax liability that may arise under the Act pertaining to the proposed Scheme, and if required, shall make appropriate arrangements to discharge the tax liability arising (subject to the rights and remedies available to the Petitioner Companies under the provisions of the Act).</li></ul> |
| 5        | <i>It is reiterated that any sanction to the Scheme of Arrangement and under Sections 230 to 232 of the Companies Act, 2013 should not adversely impact the rights of the Income Tax (TDS) Department for any present or future proceedings. The Department should be at liberty to take appropriate action as per law in case of an event of any Tax-avoidance or violation of Income Tax Law or any other similar issue.</i> | As far as the observation of the ACIT (TDS), as stated in para 5 is concerned, the Petitioner Companies submits as follows:   |



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IN  
C.A. (CAA) / 4 (MB) / 2024

| Para No. | Observations as per the report of the ACIT (TDS) dated 10 <sup>th</sup> August 2024                                     | Response of the Petitioner Companies  |
|----------|---|---|
|          |   | <ul style="list-style-type: none"><li>The Petitioner Companies reiterate that approval of the present Company Petition shall not deter Income Tax Department to independently scrutinize / assess the tax return filed by the Petitioner Companies. Further, the Petitioner Company also reiterates that it shall provide all the relevant co-operation during the appropriate proceedings as may be initiated by the Income Tax Department in this regard. The rights of the Income Tax Department shall not be adversely impacted by the present Company Petition in respect of any present or future proceedings, and they shall be at a liberty to take appropriate action as per the provisions of the Income-tax Act, 1961. However, the Petitioner Company should be provided with sufficient opportunity to defend its claim under the Act and to take measures in accordance with the Act.</li></ul> |
| 6        | <i>Petitioner Companies should give an undertaking that there is no investigation proceedings is pending against it</i> | As far as the observation of the ACIT (TDS), as stated in para 6 is concerned, the Petitioner Companies submits that they undertake that there is no inquiry, inspection, investigation, prosecutions, or complaints pending against the Petitioner Companies.  |

12. From the material on record, the Scheme appears to be fair and reasonable and is not violative of any provisions of law and is not contrary to public policy.





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13. The Professional for the Petitioner Companies further submits that, in consideration of transfer and vesting of the Demerged Undertaking of the Demerged Company to the Resulting Company in accordance with this Scheme, the Resulting Company shall issue and allot to every shareholder of the Demerged Company, holding fully paid up shares in the Demerged Company and whose names appear in the register of members of the Demerged Company on the Record Date or to such of their heirs, executors, administrators or the successors-in-title in the following manner:
- "1 fully paid-up Equity Share of INR 1/- each of Resulting Company for every 1 fully paid-up equity shares of INR 10/- each held in the Demerged Company"*
14. Since all the requisite statutory compliances have been fulfilled, C.P. (CAA) / 122 (MB) / 2024 connected with C.A.(CAA) / 4 (MB) / 2024 filed by the Petitioner Companies is made absolute in terms of prayer clauses of the said Company Scheme Petition.
15. The Scheme annexed at Exhibit 10 to the Company Scheme Petition is hereby sanctioned, and the Appointed Date of the scheme is 1<sup>st</sup> April 2024. It shall be binding on the Petitioner Companies involved in the Scheme and all concerned including their respective Shareholders, Secured Creditors, Unsecured Creditors/Trade Creditors, Employees and/or any other stakeholders concerned.
16. The Petitioner Companies are directed to file a certified copy of this Order along with the copy of Scheme with the concerned Registrar of Companies, electronically in e-form INC-28 within 30 days or an extended timeline with payment of additional fees, as may be applicable, from the date of receipt of the Order duly certified by the Designated Registrar of this Tribunal. The Scheme will become effective on filing of the copy of this order with the concerned Registrar of Companies.





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17. The Petitioner Companies shall lodge a copy of this Order along with the Scheme duly certified by designated Registrar of this Tribunal, with the concerned Superintendent of Stamps for the purpose of adjudication of stamp duty payable, if any, within a period of 30 working days from the date of the receipt of the certified copy of the Order from the Registry of this Tribunal.
18. All concerned regulatory authorities to act on a copy of this Order along with Scheme duly certified by the designated Registrar of this Tribunal.
19. Any person interested shall be at liberty to apply to this Tribunal in the above matter for any directions that may be necessary.
20. Any concerned authorities are at liberty to approach this Tribunal for any further clarification as may be necessary.
21. Ordered accordingly. Thus, the Company Scheme Petition with C.P.(CAA)/ 122 (MB) / 2024 in C.A.(CAA) / 4 (MB) / 2024 shall stand to be disposed of.

Sd/-

**Shri. Anil Raj Chellan**  
**Member (Technical)**

//Chandrika Sarkar, LRA//

Sd/-

**Shri. Kishore Vemulapalli**  
**Member (Judicial)**



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Date of Application 29/10/2024  
Number of Pages 27  
Fee Paid Rs. 135/-  
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Copy prepared on 18/11/2024  
Copy issued on 12/11/2024

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12/11/2024  
Deputy Registrar

National Company Law Tribunal, Mumbai Bench



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## DRAFT SCHEME OF ARRANGEMENT

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APPROVED BY THE BOARD OF DIRECTORS  
OF EMKAY TAPS AND CUTTING TOOLS LIMITED AND EMKAY TOOLS LIMITED

Date: 29.06.2023

Place: Nagpur



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**DRAFT SCHEME OF ARRANGEMENT  
BETWEEN  
EMKAY TAPS AND CUTTING TOOLS LIMITED  
(DEMERGED COMPANY)  
AND  
EMKAY TOOLS LIMITED  
(RESULTING COMPANY)  
AND  
THEIR RESPECTIVE SHAREHOLDERS  
UNDER SECTIONS 230 TO 232 READ WITH SECTION 66 OF THE  
COMPANIES ACT, 2013 AND OTHER APPLICABLE PROVISIONS OF THE  
COMPANIES ACT, 2013 AND RULES & REGULATIONS FRAMED  
THEREUNDER**

**PREAMBLE**

This Scheme of Arrangement ("Scheme of Demerger") is presented under the Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 and rules & regulations framed thereunder, and also read with Section 2(19AA) and other applicable provisions of the Income-tax Act, 1961, between Emkay Taps And Cutting Tools Limited ("Demerged Company") and Emkay Tools Limited ("Resulting Company") and their respective shareholders.

This Scheme provides for the following:

- (i) The demerger of the Demerged Undertaking (defined in clause 1.9) of Emkay Taps And Cutting Tools Limited and vesting of the same in the Resulting Company i.e., Emkay Tools Limited on a going concern basis and consequential issue of New

As approved by the Board,

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*[Signature]*  
29/06/2023

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- (ii) Various other matters consequential, supplemental and / or otherwise integrally connected therewith.

(A) DESCRIPTION OF COMPANIES:

i. Emkay Taps and Cutting Tools Limited ("Demerged Company") is a listed public limited company, originally incorporated as private limited company under the erstwhile provisions of the Companies Act, 1956 on July 27, 1995 and converted into a public limited company under the provisions of Companies Act, 2013 vide certificate of registration issued by Registrar of Companies, Maharashtra at Mumbai on April 24, 2015. The Corporate Identification Number of the Demerged Company is (L29220MH1995PLC091091). The Registered Office of the Demerged Company is situated at Plot No. B-27 and B-27/1, MIDC Hingna, Industrial Estate, Nagpur - 440 016 in the State of Maharashtra. The Demerged Company is engaged in the business of manufacturing of threading taps and cutting tools, and production of power through windmill. The equity shares of the Demerged Company are listed since August 13, 2015 on the SME Platform of National Stock Exchange of India Limited (NSE EMERGE).

ii. Emkay Tools Limited ("Resulting Company") is an unlisted public limited company incorporated, as wholly owned subsidiary of Emkay Taps and Cutting Tools Limited, under the provisions of Companies Act, 2013 on April 25, 2023 vide Corporate Identity Number U25939MH2023PLC401627. The Registered Office of the Resulting Company is situated at Plot No B-27 and B-27/1, MIDC Hingna, Industrial Estate, Nagpur - 440 016 in the State of Maharashtra. The Resulting Company has been incorporated with an object of engaging in the business of manufacturing of threading taps and cutting tools. The equity shares of the Resulting Company are proposed to be listed on the SME Platform of National Stock Exchange of India Limited. (NSE EMERGE).



**(B) OVERVIEW OF BUSINESSES & RATIONALE FOR THE SCHEME OF ARRANGEMENT:**

- i. The Demerged Company, is engaged in the business of manufacturing, import, export, buy, sell and to deal in all kinds of high speed steel cutting tools, taps, rings and mills, reamers and other machine and cutting tools. In addition to the above, the Demerged Company is also engaged in the business of production of power through windmills located in Rajasthan and Karnataka.
- ii. The Manufacturing Business (defined in clause 1.13) has different characteristics, risk, and rewards than the Remaining Business of the Demerged Company (defined in clause 1.17). Consequently, growth and expansion of the Manufacturing Business (defined in clause 1.13) requires a differentiated strategy which is aligned to the market dynamics. This will help enhance shareholder value. Further, the growth of the Manufacturing Business will require focused investments in research and development. Given this, it is considered desirable to demerge the Manufacturing Business of the Demerged Company with the Resulting Company in the manner and on the terms and conditions stated in this Scheme.
- iii. The demerger will have the following benefits to the companies and the shareholders:
- Segregation of the businesses will unlock the true potential of each business vertical, which will allow more focused strategy, management bandwidth and attention to execute each business segment's respective vision.
  - Strengthening customer service, distribution network and overall economies of scale for all the business verticals.
  - Provide higher degree of flexibility to evaluate independent business opportunities.



- Enhance the financial performance to enable use of assets from its primary mode of business and generate revenues which in turn be strengthening the company's overall financial health over a period of time.
- Effective and streamlined decision making will enable improved business risk management that can help take advantage of risks that are worth taking against potential benefits and prevent unacceptable risks being taken.
- Pursuant to the Scheme, the equity shares issued by the Resulting Company would be listed on National stock exchange of India Ltd. NSE EMERGE SME platform and will unlock the true value of the Demerged Undertaking for the shareholders of the Demerged Company. Further the existing shareholders of the Demerged Company would hold the shares of two listed entities after the Scheme becoming effective; giving them flexibility in managing their investments in the two businesses having differential dynamics.

The Scheme is in the best interests of the respective entities and their stakeholders including their respective shareholders. Further, the Scheme shall not be prejudicial to the interest of the creditors, since it does not involve any compromise or arrangement with the creditors of the Demerged Company or the Resulting Company.

**(C) TREATMENT OF THE SCHEME FOR THE PURPOSE OF THE INCOME-TAX ACT, 1961**

For demerger of the Demerged Undertaking (defined in clause 1.9) of the Demerged Company into the Resulting Company, this Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income-tax Act, 1961. If any of the terms or provisions of this Scheme is/are found or interpreted to be inconsistent with the provisions of Section 2(19AA) of the Income-tax Act, 1961 at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of Section 2(19AA) of the



Income-tax Act, 1961 shall prevail and the Scheme shall stand deemed modified to the extent determined necessary to comply with the provisions of Section 2(19AA) of the Income-tax Act, 1961. Such modification will however not affect the other parts of the Scheme.

**(D) PARTS OF THE SCHEME**

The Scheme is divided into the following parts:

- i. **Part I** deals with the definitions, interpretations and the share capital;
- ii. **Part II** deals inter alia with the demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company in accordance with the provisions of section 2(19AA) of the Income-tax Act, 1961 and pursuant to Section 230 to Section 232 and other applicable provisions of the Companies Act, 2013, as may be applicable, issuance of New Equity Shares by Resulting Company to the shareholders of the Demerged Company and the cancellation of the shares held by the Demerged Company in the Resulting Company; and
- iii. **Part III** deals with the general terms and conditions that would be applicable to this Scheme.



## PART I

## 1. DEFINITIONS

In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meanings:

- 1.1 "Act" or "the Act" means the Companies Act, 2013, and ordinances, rules and regulations made thereunder, and shall include any statutory modifications, re-enactments, or amendments thereof for the time being in force;
- 1.2 "Accounting Standards" means the generally accepted accounting principles in India complying with (i) the mandatory accounting standards notified under the Companies (Accounting Standards) Rules, 2006 as amended from time to time and to the extent in force; and (ii) the relevant provisions of the Act;
- 1.3 "Applicable Law" means any statute, notification, bye laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or instructions having the force of law enacted or issued by any Appropriate Authority including any statutory modification or re-enactment thereof for the time being in force in India;
- 1.4 "Appointed Date" means April 1, 2024 or such other date as may be approved by the Hon'ble National Company Law Tribunal, Mumbai Bench for Part II of this Scheme;
- 1.5 "Appropriate Authority" or "Governmental Authority" means and includes any applicable Central, State or Local Government, legislative body, regulatory or administrative authority, Registrar of Companies, Regional Director, Securities and Exchange Board of India, Stock Exchanges, Reserve Bank of India, agency or commission or any court, tribunal, board, bureau or instrumentality thereof or



arbitration or arbitral body having jurisdiction on behalf of the Republic of India or any state or province or other political subdivision thereof or in any other nation over Demerged Company or Resulting Company, as the context may require;

- 1.6 "Board of Directors" or "Board" means the Board of Directors of the Demerged Company and Resulting Company and shall include any committee or sub-committee or any person(s) appointed and authorized by the respective Board of Directors for the purposes of matters pertaining to this Scheme or any other matter relating thereto;
- 1.7 "CIN" means Corporate Identification Number;
- 1.8 "Demerged Company" or "ETCTL" means Emkay Taps and Cutting Tools Limited, having CIN L29220MH1995PLC091091, incorporated under the erstwhile provisions of the Companies Act, 1956 and having its registered office presently at Plot No B-27 and B-27/1, MIDC Hingna, Industrial Estate, Nagpur - 440 016 in the State of Maharashtra;
- 1.9 "Demerged Undertaking" shall include all the business, undertakings, activities, operation and properties, of whatsoever nature and kind and wherever situated, forming part of the Manufacturing Business of the Demerged Company as a going concern including but not limited to, the following:-
1. All assets and properties, whether movable or immovable, tangible or intangible (including the Intellectual Property Rights as defined in clause 1.12 and excluding the Non-Current Investments as defined in clause 1.15) pertaining to the Manufacturing Business, whether registered or not), whether corporeal or incorporeal, leasehold or otherwise, plant and machinery, capital work in progress, advances, deposits, sundry debtors, inventories, cash and bank balances, bills of exchange, other fixed assets, trademarks, loans,



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inventory and work in progress wherever situated pertaining to the Manufacturing Business;

- ii. Various incentives, subsidies, special status and other benefits or privileges enjoyed (including minimum alternate tax, sales tax, excise duty, custom duty, service tax, value added tax, goods and services tax and other incentives, including any profit linked incentives), granted by any Government body, local authority or by any other person pertaining to the Manufacturing Business;
- iii. Loans, deposits and advances, including capital advances, pertaining to Manufacturing Business;
- iv. Assets other than those referred to in sub-clause (i) above being general in nature, if any, allocated to Manufacturing Business in the manner as may be decided by the Board of Directors of Emkay Taps and Cutting Tools Limited, the Demerged Company;
- v. All present and future liabilities arising out of the activities or operations of the Manufacturing Business including loans, deposits, debts, current liabilities and provisions, duties and obligations relating to the Manufacturing Business;
- vi. All contingent liabilities, including arising out of any corporate guarantees, letters of comfort and other or any other similar non-fund based credit relating to the Manufacturing Business;
- vii. The balance in profit and loss account pertaining to the Manufacturing Business, which shall be computed as difference between the book value of assets and book value of liabilities transferred to the Resulting Company under this Scheme, as reduced by the face value of shares issued by the Resulting Company under Clause 5 of this Scheme;



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viii. Without prejudice to the generality of the above clause, the Demerged Undertaking shall include in particular:

- a. All immovable properties, Intellectual Property Rights, incentives / benefits, and registrations, licenses, and consents referred to in Annexure 1.
- b. all movable and immovable properties, capital work in progress, assets, including lease-hold rights, tenancy rights, registrations, permits, authorizations, trademarks, patents and other industrial and intellectual properties, electrical connections, telephones, facsimile and other communication facilities and equipment, rights and benefits of all agreements, pending applications and all other interests, rights and powers of every kind, nature and description whatsoever, privileges, liberties, easements, advantages, benefits and approvals in respect of the Manufacturing Business.
- c. all quotas, rights and licenses, assignments and grants thereof, all permits, registrations, rights under any agreement, contracts, government contracts, applications, memorandum of understanding, letters of intent, tender (including open tender), or any other contracts, approvals, regulatory approvals, consents, entitlements, industrial and other licenses, municipal permissions, goodwill, cash balances, bank balances, bank accounts, privileges, benefit of any deposits, financial assets, corporate guarantees or any other instruments of similar nature issued to/by Emkay Taps and Cutting Tools Limited, the Demerged Company in relation to the Manufacturing Business and the benefits of any bank guarantees issued in relation to the Manufacturing Business for the benefit of Emkay Taps and Cutting Tools Limited, the Demerged Company, deferred tax benefits, privileges, all other claims, rights, benefits and licenses, powers and facilities of every kind, nature and description whatsoever, rights to use



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- and usual utilities, water and other services, provisions, funds, tenancies in relation to the office and/or residential properties for the employees, offices, patents, copyrights, investments pertaining to Manufacturing Business and/or interest (whether vested, contingent or otherwise) in activities undertaken by the Manufacturing Business, either solely or jointly with other parties, benefits of all agreements, contracts and arrangements and all other interests in connection with or relating to the Manufacturing Business;
- d. all books, records, files, papers, computer programs, manuals, data, catalogues, quotations, backup and other data and records whether physical or electronic form, directly or indirectly in connection with or relating to the Manufacturing Business;
- e. all contracts, agreements, understanding in connection with or pertaining to or relating to the Manufacturing Business;
- f. all employees of Enkay Taps and Cutting Tools Limited, the Demerged Company employed in and / or relating to the Manufacturing Business as on the Effective Date; and
- g. all deposits and balances with Government, Semi-Government, local and other authorities and bodies, customers and other persons, earnest moneys and/ or security deposits paid or received by Enkay Taps and Cutting Tools Limited, the Demerged Company, directly or indirectly in connection with or in relation to the Manufacturing Business;
- h. all tax balances or credits pertaining to the Demerged Undertaking of the Demerged Company, including under the Income Tax Act, 1961 such as credit for advance tax, minimum alternate tax ("MAT"), taxes deducted at source, taxes collected at source, MAT credit under Section 115JAA of



Income Tax Act, 1961 etc, benefits under the sales tax laws of the respective states, sales tax set off, benefits of any unutilised MODVAT/CENVAT/Service tax credits, unutilised input tax credit of Central Goods and Services Tax ('CGST'), Integrated Goods and Services Tax ('IGST'), State Goods and Services Tax ('SGST'), Goods and Services Tax Compensation Cess ('GST Compensation Cess') etc., the unabsorbed business brought forward losses and unabsorbed depreciation as per the books of accounts and the tax losses and unabsorbed depreciation under the provisions of Income Tax Act, 1961).

- i. all liabilities (including contingent liabilities which includes corporate guarantees, letter of comfort or any other similar non-fund based credit issued by Emkay Taps and Cutting Tools Limited, the Demerged Company in relation to the Manufacturing Business) arising out of the activities or operation of the Manufacturing Business including in relation or connection with taxes or tender or in relation to its contracts, other obligations, duties and sums owing;
- j. specific loans and borrowings raised, if any, or inter corporate deposits incurred and utilized solely for the activities or operations of the Manufacturing Business; and
- k. liabilities other than those referred to in sub-clauses (g) and (h) above being the amounts of general or multipurpose borrowings, if any, of Emkay Taps and Cutting Tools Limited, the Demerged Company as allocated to the Manufacturing Business in the same proportion in which the book value of the assets transferred under this clause bears to the total book value of the assets of Emkay Taps and Cutting Tools Limited, the Demerged Company immediately before the Appointed Date of the Scheme as may be determined by the Board of Directors of Emkay Taps and Cutting Tools Limited, the Demerged Company.



- 1.10 "Effective Date" means the last of the dates on which all the conditions and matters referred to in Clause 18 of this Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with this Scheme. References in this Scheme to "coming effect of this Scheme" or "effectiveness of this Scheme" or "Scheme becoming effective" shall mean the Effective Date;
- 1.11 "Intellectual Property" shall mean all forms of intellectual property subsisting under the laws of India and all analogous rights subsisting under the laws of each and every Jurisdiction throughout the world. Intellectual Property includes patents, trademarks, service marks, trade names, registered designs, copyrights, rights of privacy and publicity, and other forms of intellectual or industrial property, know how, inventions, formulae, confidential or secret processes, trade secrets, any other protected rights or assets, and any licenses and permission in connection therewith, in each and any part of the world and whether or not registered or registrable and for the full period thereof, and all extensions and renewals thereof, and all applications for registration in connection with the foregoing.
- 1.12 "Intellectual Property Rights" shall mean all rights arising out of or in relation to the Intellectual Property.
- 1.13 "Manufacturing Business" in relation to Emkay Taps and Cutting Tools Limited, the Demerged Company means the business of manufacturing, import, export, buy, sell and to deal in all kinds of high speed steel cutting tools, taps, rings and mills, reamers and other machine and cutting tools;
- 1.14 "New Equity Shares" means the equity shares having a par value of INR 1 per share issued by the Resulting Company to the shareholders of the Demerged Company as a consideration pursuant to this Scheme, as per the Demerger Share Entitlement Ratio set out in Clause 5;



- 1.15 "Non-Current Investments" shall mean and include all form of investment in mutual funds, quoted and unquoted equity shares, investments made through Portfolio Management Service (PMS), and any other investment of whatsoever nature included under the head Non-current Investments in the Non-Current assets of the Demerged Company, which are not pertaining to the Manufacturing Business.
- 1.16 "NSE" means National Stock Exchange of India Limited
- 1.17 "Record Date" in relation to Part III of the Scheme means the date to be fixed by the Board of Directors of the Demerged Company for the purpose of determining the shareholders of the Demerged Company to whom New Equity Shares will be issued and allotted by the Resulting Company pursuant to the Scheme;
- 1.18 "Remaining Business of the Demerged Company" means all undertakings, businesses, activities, operations, assets, investments (including Non-Current Investments) and liabilities of the Demerged Company other than the Demerged Undertaking;
- 1.19 "Resulting Company" or "ETL" means Emkay Tools Limited, a company incorporated as a public limited company under the Companies Act, 2013 with CIN U25939MH2023PLC401627 and having its registered office presently at Plot No B-27 and B-27/i, MIDC Hingna, Industrial Estate, Nagpur - 440 016;
- 1.20 "Scheme" or "the Scheme" or "this Scheme" means this Scheme of Arrangement in its present form as submitted in accordance with the provisions of Sections 230 to 232 of the Act or with any modification(s), if any, made under Clause 18 of the Scheme or with such other modifications/amendments as the NCLT may direct.
- 1.21 "SEBI" means Securities and Exchange Board of India



- 1.22 "SEBI Circular" means SEBI Circular No. SEBI/HO/CFD/TOD-2/P/CIR/2023/93 dated June 20, 2023 issued by SEBI or any other circulars issued by SEBI applicable to schemes of arrangement from time to time;
- 1.23 "Stock Exchange" shall mean National stock exchange of India Ltd. (NSE)
- 1.24 "Tribunal" or "NCLT" means the Hon'ble National Company Law Tribunal, bench at Mumbai having jurisdiction in relation to each of the companies under this Scheme and shall be deemed to include, if applicable, a reference to such other forum or authority which may be vested with any of the powers of the NCLT to sanction the Scheme under the Act.
- 1.25 All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act and other Applicable Laws, rules, regulations, bye-laws, or any statutory modification or re-enactment thereof from time to time.

## 2. DATE OF TAKING EFFECT AND OPERATIVE DATE

- 2.1 The Scheme as set out herein in its present form or with any modification(s) or amendment(s) approved or imposed or directed by the NCLT or any other appropriate authority shall be effective from the Appointed Date but shall be operative from the Effective Date.



### 3. SHARE CAPITAL

- 3.1 The share capital of Emkay Taps and Cutting Tools Limited, the Demerged Company as on 31<sup>st</sup> May 2023, is as under: -

| Share Capital                                       | Amount (in INR) |
|---|-----------------|
| <b>Authorised Share Capital</b>                     |                 |
| 1,20,00,000 Equity Shares of INR 10/- each          | 12,00,00,000    |
| <b>Total</b>  |                 |
| <b>Issued, subscribed and paid-up Share Capital</b> |                 |
| 1,06,71,300 Equity Shares of INR 10/- each          | 10,67,13,000    |
| <b>Total</b>  | 10,67,13,000    |

There is no change in the capital structure of Emkay Taps and Cutting Tools Limited, the Demerged Company after the aforesaid date.

- 3.2 The share capital of Emkay Tools Limited, the Resulting Company as on 31<sup>st</sup> May 2023 is as under: -

| Share Capital                                       | Amount (in INR) |
|---|-----------------|
| <b>Authorised Share Capital</b>                     |                 |
| 1,25,00,000 Equity Shares of INR 1/- each           | 1,25,00,000     |
| <b>Total</b>  | 1,25,00,000     |
| <b>Issued, subscribed and paid-up Share Capital</b> |                 |
| 1,00,000 Equity Shares of INR 1/- each              | 1,00,000        |
| <b>Total</b>  | 1,00,000        |

There is no change in the capital structure of Emkay Tools Limited, the Resulting Company after the aforesaid date. As on date, Emkay Taps and Cutting Tools Limited, the Demerged Company holds 100% of equity share capital of Emkay Tools Limited, the Resulting Company.



## PART II

- 4. DEMERGER OF THE DEMERGED UNDERTAKING AND VESTING OF THE SAME IN THE RESULTING COMPANY**
- 4.1 Upon coming into effect of this Scheme and with effect from the Appointed Date and subject to the provisions of this Scheme, the Demerged Undertaking of the Demerged Company as defined in Clause 1.9, shall pursuant Section 230 to 232 of the Act and other relevant provision of the Act and the order of the NCLT sanctioning the Scheme, without any further act, instrument or deed, be transferred to and vested in or deemed to be transferred to and vested in the Resulting Company, on a going concern basis, in accordance with Section 2(19AA) of the Income-tax Act, 1961, so as to vest in the Resulting Company all the rights, title and interest of Demerged Undertaking therein, subject to the subsisting charges and pledges, if any.
- 4.2 Without prejudice to the provisions of Clause 4.1, assets and properties of the Demerged Company relating to Demerged Undertaking, upon the coming into effect of this Scheme and with effect from the Appointed Date, under the provisions of Sections 230 to 232 of the Act, without any further act or deed or instrument or conveyance for the same shall deemed to be transferred to the Resulting Company and shall become the assets and properties of the Resulting Company. The order of the NCLT shall for all purposes be treated as the instrument conveying such properties and assets to the Resulting Company.
- 4.3 In respect of assets such as Intellectual Property Rights, intangible assets, actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities, bodies and customers, relating to the Demerged Undertaking, the Demerged Company shall if so required by the Resulting Company, issue







such asset to the Resulting Company (along with any benefits attached thereto) within the earliest possible period pursuant to the Scheme becoming effective.

- 4.6 Upon the coming into effect of this Scheme and with effect from the Appointed Date, all Intellectual Property Rights; patents, patent rights applications, trademarks, trade names, knowhow, content, software, manuals, copyrights and other industrial properties and rights of any nature whatsoever and licenses assignments, grants in respect thereof, privileges, liberties, easements, contract advantages, benefits, goodwill, quota rights, permits, approvals, authorizations, right to use and avail of telephones, telexes, facsimile and other communication facilities, connections, equipment and installations, utilities, electricity and electronic devices and all other services of every kind, nature and descriptions whatsoever, reserves, provisions, funds, benefit of all agreements, arrangements including but not limited to indemnities/ guarantees given by the Demerged Company in relation to Demerged Undertaking, deposits, advances, recoverable and receivables whether from government, semi-government, local authorities or any other customs etc., benefits of any agreement to sell of immovable properties sold or purchased by the Demerged Company in relation to Demerged Undertaking, and all other rights, interests, claims and powers of every kind, nature and description of and arising to them, benefits of all agreements, subsidies, grants, tax credits including but not limited to benefits of tax relief including under the Income Tax Act, 1961 such as credit for advance tax, minimum alternate tax ("MAT"), taxes deducted at source, taxes collected at source, MAT credit under Section 115JAA of Income Tax Act, 1961 etc, benefits under the sales tax laws of the respective states, sales tax set off, benefits of any unutilised MODVAT/CENVAT/Service tax credits, unutilised input tax credit of Central Goods and Services Tax ("CGST"), Integrated Goods and Services Tax ("IGST"), State Goods and Services Tax ("SGST"), Goods and Services Tax Compensation Cess ("GST Compensation Cess") etc., the unabsorbed business brought forward losses and unabsorbed depreciation as per the books of accounts and the tax losses and unabsorbed depreciation under the provisions of Income Tax Act, 1961), cash and bank balances, all earnest monies



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and/ or deposits including security deposits paid by them, the entire business and benefits and advantages of whatsoever nature and where-so-ever situated belonging to or in the ownership, power or possession and in the control of or vested in or granted in favour of or enjoyed by, the Demerged Company and relating to Demerged Undertaking, stand transferred to and vested in and/ or be deemed to be and stand transferred to and vested in the Resulting Company pursuant to the provisions of Section 232 of the Act so as to become as and from the Appointed Date, the estate, assets, right, title and interests of the Resulting Company.

- 4.7 Upon the coming into effect of this Scheme and with effect from the Appointed Date, any statutory licenses, permissions or approvals or consents held by the Demerged Company required to carry on operations of Demerged Undertaking shall stand transferred to and vested in the Resulting Company by virtue of order of NCLT sanctioning the Scheme, and without any further act or deed shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Resulting Company. The benefit of all statutory and regulatory permissions, approvals and consents, registration or other licenses, and consents shall vest in and become available to the Resulting Company pursuant to the Scheme.
- 4.8 In so far as the various incentives, subsidies, special status and other benefits or privileges enjoyed (including minimum alternate tax, sales tax, excise duty, custom duty, service tax, value added tax, goods and services tax and other incentives, including any profit linked incentives), granted by any Government body, local authority or by any other person and availed of by the Demerged Undertaking of the Demerged Company, the same shall vest with and be available to the Resulting Company on the same terms and conditions as presently available to the Demerged Company.
- 4.9 Upon the coming into effect of this Scheme and with effect from the Appointed Date, all income, expenses, debts, liabilities, whether known or unknown including, without limitation, all secured and unsecured debts, sundry creditors, contingent



liabilities, duties, obligations and undertakings of the Demerged Company, in relation to Demerged Undertaking, of every kind, nature and description whatsoever and howsoever arising, raised, incurred or utilized for its business activities and operations, shall, pursuant to the sanction of this Scheme by the NCLT, as the case may be, and under the provisions of Sections 230 to 232 and other applicable provisions, if any, of the Act, without any further act, instrument, deed, matter or thing being made, done or executed, be transferred to, and vested in, or be deemed to have been transferred to and vested in the Resulting Company and shall be assumed by the Resulting Company to the extent they are outstanding as on the Effective Date so as to become, as on and from the Appointed Date, the income, expenses, liabilities, debts, sundry creditors, contingent liabilities, duties and obligations of the Resulting Company on the same terms and conditions as were applicable to the Demerged Company, and the Resulting Company shall meet, discharge and satisfy the liabilities and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such liabilities have arisen in order to give effect to the provisions of this clause.

- 4.10 Upon the coming into effect of this Scheme and with effect from the Appointed Date, the debts, advances, liabilities and obligations pertaining to Demerged Undertaking of the Demerged Company, along with the balance in profit and loss account pertaining to the Demerged Undertaking of the Demerged Company (which shall be computed as difference between the book value of assets and book value of liabilities transferred to the Resulting Company under this Scheme, as reduced by the face value of shares issued by the Resulting Company under Clause 5 of this Scheme), shall, under the provisions of Sections 230 to 232 of the Act, without any further act or deed shall stand transferred to or be deemed to be transferred to the Resulting Company and shall become the debts, advances, liabilities and obligations of the Resulting Company which it undertakes to meet, discharge and satisfy and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, advances,



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liabilities and obligations have arisen in order to give effect to the provisions of this clause.

- 4.11 In so far as the assets comprised in Demerged Undertaking of the Demerged Company are concerned, the security, existing charges, mortgages and encumbrances, if any, over or in respect of any of the assets or any part thereof or charge over such assets relating to any loans or borrowings not relating to Demerged Undertaking shall, without any further act or deed, be released and discharged from the same and shall no longer be available as security in relation to the liabilities, which are not related to Demerged Undertaking of the Demerged Company. The Demerged Company may apply to the authorities for release of such assets and for modification of charges and encumbrances created on such assets, if required.
- 4.12 Upon the coming into effect of this Scheme, the borrowing limits of the Resulting Company in terms of Section 180(1)(c) of the Act shall be deemed without any further act or deed to have been enhanced by the aggregate liabilities of the Demerged Company (in relation to demerged undertaking) which are being transferred to the Resulting Company pursuant to the Scheme, such limits being incremental to the existing limits of the respective Resulting Company, with effect from the Appointed Date. The approval of this Scheme by the members of Resulting Company shall be deemed to be an approval under section 180(1)(c) of the Act, and the Resulting Company shall not be required to obtain a separate approval in respect of the same from the members.
- 4.13 All cheques and other negotiable instruments, payment order, electronic fund transfers (like NEFT, RTGS, etc.) received or presented for encashment which are in the name of the Demerged Company (in relation to demerged undertaking) after the Effective Date shall be accepted by the bankers of Resulting Company and credited to the account of Resulting Company, if presented by Resulting Company or received through electronic transfers. Similarly, the banker of Resulting Company shall honour all cheques / electronic fund transfer instructions issued by



Resulting Company (in relation to demerged undertaking) for payment after the Effective Date. If required, the bankers of the Demerged Company and Resulting Company shall allow maintaining and operating of the bank accounts (including banking transactions carried out electronically) in the name of Demerged Company for such time as may be determined to be necessary by the Resulting Company for presentation and deposition of cheques, pay order and electronic transfers that have been issued/ made in the name of Resulting Company.

- 4.14 Benefits of any and all corporate approvals as may have been taken by the Demerged Company in connection with the Demerged undertakings, including approvals under Sections 180, 186 and 188 of the 2013 Act shall not require separate approval to the Resulting Company and the said corporate approvals and compliances shall be deemed to have been taken/ complied with by the Resulting Company.
- 4.15 All taxes (including income tax, sales tax, excise duty, service tax, VAT, CGST, IGST, SGST, GST Compensation Cess, custom duty, etc.) paid or payable by the Demerged Company in respect of the operations and/or the profits of the Demerged Undertaking before the Appointed Date, shall be on account of the Demerged Company and, insofar as it relates to the tax payment (including without limitation, sales tax, excise duty, custom duty, income tax, service tax, VAT, CGST, IGST, SGST, etc.) whether by way of deduction at source, advance tax or otherwise howsoever, the Demerged Company in respect of the profits from activities of Demerged Undertaking after the Appointed Date, the same shall be deemed to be the corresponding item paid by the Resulting Company, and shall, in all proceedings, be dealt with accordingly.
- 4.16 Without prejudice to the above provisions, with effect from the Appointed Date, all inter-party transactions between or amongst the Demerged Company and the Resulting Company, in so far as it relates to the Demerged Undertaking, shall be considered as intra-party transactions for all purposes.



## 5. CONSIDERATION

- 5.1 Upon this Scheme becoming effective and in consideration of the demerger of the Demerged Undertaking from the Demerged Company and vesting of the Demerged Undertaking into the Resulting Company in accordance with this Scheme, the Resulting Company, without any further act or deed and without receipt of any cash, shall issue and allot to the shareholders of the Demerged Company as on the Record Date (as may be decided by the board of directors), 1 (One) fully paid up equity share of face value of INR 1/- (Rupee One only) each of Resulting Company for every 1 (One) fully paid up equity shares of face value of INR 10/- (Rupees Ten only) each held in the Demerged Company ("Demerger Share Entitlement Ratio").
- 5.2 The New Equity Shares to be issued and allotted by the Resulting Company to the shareholders of the Demerged Company shall be subject to the Scheme, the Memorandum and Articles of Association of the Resulting Company and the applicable laws for the time being in force and shall rank pari passu in all respects including dividends, with the then existing equity shares of the Resulting Company and the Resulting Company shall not be required to seek separate consent/ approval of its shareholders.
- 5.3 The New Equity Shares issued above shall be in dematerialized form and shall be issued into the respective account(s) in which the Demerged Company shares are held or such other account as is intimated by the shareholders to the Demerged Company and / or its Registrar.
- 5.4 The issue and allotment of New Equity Shares to the shareholders of the Demerged Company in the Resulting Company, as provided in this Scheme, shall be deemed to be made in compliance with the procedure laid down under the Act.



- 5.5 In the event of any restructuring of the equity share capital by the Demerged Company or the Resulting Company, including by way of share split / consolidation / issue of bonus shares or other similar action in relation to share capital of the Demerged Company or the Resulting Company, at any time before the Record Date, the Demerger Share Entitlement Ratio shall be adjusted appropriately to take into account the effect of such issuance or corporate action.
- 5.6 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholders of the Demerged Company, the Board of Directors of the Demerged Company shall be empowered, in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer as if such changes in the registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or transferee of equity shares in the Demerged Company, after the effectiveness of this Scheme.
- 5.7 The issue and allotment of New Equity Shares as provided in Clause 5.1, is an integral part hereof and shall be deemed to have been carried out under the orders passed by the Tribunal without requiring any further act on the part of the Resulting Company or the Demerged Company or their shareholders and as if the procedure laid down under the Act and such other Applicable Laws as may be applicable were duly complied with. It is clarified that the approval of the members of the Resulting Company and/ or the Demerged Company to this Scheme, shall be deemed to be their consent/ approval for the issue and allotment of equity shares, as the case may be, pursuant to the aforesaid Clause 5.1. The approval of this Scheme by the shareholders of the Resulting Company shall be deemed to be in due compliance of the provisions of Sections 42 and 62 of the Act and other laws, rules and regulations, as may be applicable.
- 5.8 The Resulting Company shall, to the extent required, increase its authorised share capital to facilitate, issue of equity shares under this Scheme. The approval of this Scheme by the shareholders of the Demerged Company and the Resulting Company



under Sections 230 and 232 of the Act shall be deemed to be the approval under Sections 13 and 14 of the Companies Act, 2013 and other applicable provisions of the Act and any other consents and approvals required, in this regard.

- 5.9 The Board of Directors of the Resulting Company shall, if and to the extent required, apply for and obtain any approvals from concerned Government/Regulatory authorities and undertake necessary compliance for the issue and allotment of New Equity Shares to the members of the Demerged Company pursuant to Clause 5.1 of the Scheme.
- 5.10 The equity shares to be issued by the Resulting Company to the members of the Demerged Company in accordance with clause 5.1 of this Scheme will be listed and/or admitted to trading in terms of Rule 19(7) of the Securities Contract (Regulation) Rules, 1957 and other applicable rules/regulations on all the Stock Exchanges on which shares of the Demerged Company are listed on the Effective Date.
- 5.11 The Resulting Company shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for the Resulting Company for complying with the formalities / requirements of the said Stock Exchanges. The equity shares of the Resulting Company allotted pursuant to the Scheme shall remain frozen in the depositories system till listing and trading permission is given by the designated Stock Exchange. There shall be no change in the shareholding pattern or control in Resulting Company between the Record Date and the listing which may affect the status of approvals received from the Stock Exchanges. The Resulting Company shall not issue/ reissue any other shares under this Scheme, except as expressly stated herein below.
- 5.12 The Resulting Company shall, if and to the extent required to, apply for and obtain any approvals, if any, from or intimate the concerned regulatory authorities,





including the Reserve Bank of India, for the issue and allotment of equity shares by the Resulting Company to the non-resident/foreign citizen equity shareholders of the Demerged Company. The Resulting Company shall comply with the relevant and applicable rules and regulations including the provisions of Foreign Exchange Management Act, 1999, if any, to enable the Resulting Company to issue and allot equity shares to the non-resident/ foreign citizen equity shareholders of the Demerged Company.

- 5.13 The holders of shares of the Demerged Company and the Resulting Company shall, save as otherwise provided under this Scheme, continue to enjoy their existing rights under their respective Articles of Association, including the right to receive dividend from the respective companies of which they are shareholders till the Effective Date.

#### 6. CANCELLATION OF SHARES OF THE RESULTING COMPANY

- 6.1 The Resulting Company is a wholly owned subsidiary of the Demerged Company. Accordingly, simultaneous with the issuance of the Equity Shares in accordance with the provisions of the Scheme, the existing shares held by the Demerged Company (directly and through its nominees) in the Resulting Company shall stand automatically cancelled without any further application, act, instrument or deed.
- 6.2 The cancellation of the equity share capital held by the Demerged Company and its nominees in Resulting Company, in accordance with this Clause 6.1 of this Scheme, shall be effected as an integral part of this Scheme itself and not under a separate procedure, in terms of Section 66 of the Act, and the order of the NCLT sanctioning this Scheme shall be deemed to be an order under Section 66 of the Act, or any other applicable provisions, confirming the reduction. The consent of the shareholders of Resulting Company to this Scheme shall be deemed to be the consent of its shareholders for the purpose of effecting the reduction under the provisions of



Section 66 of the Act as well and no further compliances would be separately required.

- 6.3 The reduction would not involve either a diminution of liability in respect of unpaid share capital, or payment of paid-up share capital to the shareholders and the provisions of Section 66 of the Act will not be applicable.
- 6.4 Notwithstanding the reduction in the equity share capital of the Resulting Company, the Resulting Company shall not be required to add "And Reduced" as suffix to its name and the Resulting Company shall carry on its old name.

## 7. ACCOUNTING TREATMENT

### 7.1 ACCOUNTING TREATMENT IN THE BOOKS OF THE DEMERGED COMPANY

Notwithstanding anything contained in any other clauses of the Scheme, the accounting treatment for the purpose of this Scheme, in the books/financial statements of the Demerged Company shall be in accordance with the Accounting Standards (AS) notified under section 133 of Companies Act, 2013 as amended from time to time in accordance with the requirements of applicable AS.

- i. Upon the Scheme becoming effective, the Demerged Company shall reduce the carrying value of assets and liabilities pertaining to the Demerged Undertaking to be transferred and vested in the Resulting Company.
- ii. The value of investments pertaining to Manufacturing Business appearing in the books of the Demerged Company, representing equity shares held in Resulting Company shall be cancelled and derecognized. Furthermore, the inter-company balances in form of loans and advances, receivables, payables and other dues outstanding between the Demerged Company and



the Resulting Company, pertaining to the Demerged Undertaking, will stand cancelled, and there shall be no further obligation / outstanding in that behalf.

- iii. The difference between the carrying values of assets transferred and vested over, and the carrying value of liabilities vested (i.e., net carrying value of assets transferred and vested), after adjusting for cancellation of inter-company balances and cancellation of shares held in the Resulting Company, shall be adjusted with reserves of the Demerged Company, as per applicable AS.

## 7.2 ACCOUNTING TREATMENT IN THE BOOKS OF THE RESULTING COMPANY

Notwithstanding anything contained in any other clauses of the Scheme, the accounting treatment for the purpose of this Scheme, in the books/financial statements of the Resulting Company shall be in accordance with the Accounting Standards (AS) notified under section 133 of the Companies Act, 2013 as amended from time to time.

- i. The assets, and liabilities of the Demerged Undertaking transferred and vested in the respective Resulting Company shall be recorded at their carrying values as appearing in the books of the Demerged Company as at the opening of the business hours of the Appointed Date and in accordance with the requirements of the respective AS;
- ii. The inter-company balances in form of loans and advances, receivables, payables and other dues outstanding between the Demerged Company and the Resulting Company, pertaining to the Demerged Undertaking, will stand cancelled, and there shall be no further obligation / outstanding in that behalf.



- iii. The Resulting Company shall credit its Share Capital Account in its books of accounts with the aggregate face value of the new shares issued to the shareholders of the Demerged Company pursuant to Clause 5 of this Scheme;
- iv. The identity of the balance in the profit and loss account transferred from the Demerged Company to the Resulting Company shall be preserved in the books of the Resulting Company, and shall be computed as difference between the book value of assets and book value of liabilities transferred to the Resulting Company under this Scheme, as reduced by the face value of shares issued by the Resulting Company under clause 5 of this Scheme;
- v. Pursuant to Clause 6, the face value of shares held by the Demerged Company in the Resulting Company shall be cancelled, and such face value, net of adjustment made in sub clause (v) above, if any, will be transferred to Capital Reserve

## 8. EMPLOYEES

- 8.1 On the Scheme becoming effective, all staff and employees of the Demerged Company, in relation to Demerged Undertaking, as on the Effective Date shall be deemed to have become staff and employees of the Resulting Company without any break or interruption in their services, on same terms and conditions of their employment with the Demerged Company. The Resulting Company further agrees that for the purpose of payment of any retirement benefit/compensation, such immediate uninterrupted past service with the Demerged Company, as the case may be, shall also be taken into account. The Resulting Company undertakes to continue to abide by the terms of agreement/settlement entered into by the Demerged Company with employees' union/employee or association as the case may be.



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- 8.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund or any other Special Fund or Trusts, if any, created or existing for the benefit of the staff and employees of the Demerged Company, in relation to Demerged Undertaking, or all purposes whatsoever in relation to the administration or operation of such Fund or Funds or in relation to the obligation to make contributions to the said Fund or Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of the Demerged Company in relation to such Fund or Funds shall become those of the Resulting Company. It is clarified that the Resulting Company shall do all things necessary to apply and obtain registration of Gratuity trust as exempt and shall carry out such steps as may be necessary to register the employees of the Demerged Company, in relation to Demerged Undertaking, with the Employee's Provident Fund Organization or any other government provident fund organization, as per the provisions of applicable regulations and the same shall be binding on all employees. It is clarified that the services of the staff and employees of the Demerged Company, in relation to Demerged Undertaking, will be treated as having been continuous for the purpose of the said Fund or Funds.

## 9. LEGAL PROCEEDINGS

- 9.1 All legal proceedings of whatsoever nature, including all proceedings related to direct taxes, indirect taxes (which shall specifically cover proceedings under the Income-tax Act, 1961, Wealth Tax Act, 1957, Central Excise Act, 1944, Finance Act, 1994, Customs Act, 1962, Customs Tariff Act, 1975, Central Goods and Service Tax Act, 2017, Inter-State Goods and Service Tax Act, 2017, and applicable State Goods and Service Tax Act), whether pending or threatened, by or against the Demerged Company at the Appointed Date and or arising after the Appointed Date till the Effective Date, relating to Demerged Undertaking of the Demerged Company, as and from the Effective Date, shall be continued and enforced by or



- against the Resulting Company in the manner and to the same extent as would or might have been continued and enforced by or against the Demerged Company.
- 9.2 After the Appointed Date till the Effective Date, if any proceedings are taken against the Demerged Company in respect of the matters referred to in Clause 9.1 above, it shall defend the same at the cost of the Resulting Company and the Resulting Company shall reimburse and indemnify the Demerged Company against all liabilities and obligations incurred by the Demerged Company in respect thereof.
- 9.3 After the Effective Date, if any proceedings are taken or continued against the Demerged Company in respect of Demerged Undertaking carried on by the Resulting Company, the Resulting Company shall defend the same at its own cost; and, in respect of Demerged Undertaking carried on by the Resulting Company after the Effective Date, the Resulting Company shall reimburse and indemnify the Demerged Company against all liabilities, costs and obligations incurred by the Demerged Company, if any, in respect thereof.
- 9.4 The Demerged Company shall in no event be responsible or liable in relation to any legal or other proceedings referred to in Clause 9.1 above that stand transferred to the Resulting Company. The Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company referred to in Clause 9.1 above, transferred into its name and to have the same continued, prosecuted and enforced by or against the Resulting Company as the case may be, to the exclusion of the Demerged Company, after the Effective Date. In the event that the Demerged Company is required to be joined as a necessary party in any such proceedings, the Demerged Company shall be added as a necessary party to enable the Resulting Company to prosecute / defend such proceedings and the Resulting Company shall reimburse and indemnify the Demerged Company against all costs, liabilities and obligations incurred by the Demerged Company, if any, in respect thereof.



## 10. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

- 10.1 Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, insurance policies, indemnities, guarantees, arrangements and other instruments, whether pertaining to immovable properties or otherwise of whatsoever nature relating to Demerged Undertaking and in which the Demerged Company are a party or to the benefit of which the Demerged Company may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favor of, as the case may be, the Resulting Company and may be enforced as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party or beneficiary or obligee thereto or there under.
- 10.2 Without prejudice to the transfer and vesting of Demerged Undertaking to and in the Resulting Company, the Resulting Company, may, at any time after this Scheme becomes effective, if so required or becomes necessary, enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations with or in favor of any party to any agreements, contracts, arrangements, understandings, bonds, engagements, deeds and instruments relating to Demerged Undertaking. The Resulting Company shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of the Demerged Company and to implement or carry out all formalities required on the part of the Demerged Company to give effect to the provisions of this Scheme.
- 10.3 For the avoidance of doubt, it is clarified that upon the coming into effect of this Scheme, all permits, authorizations, licences, consents, registrations, approvals, municipal permissions, insurance policies, connections for water, electricity and drainage, sanctions, obligations/benefits arising out of bank guarantees given with respect to any appeals with the relevant authorities, privileges, easements and



advantages, facilities, rights, powers and interests (whether vested or contingent), relating to Demerged Undertaking shall stand transferred to and vested in or shall be deemed to be transferred to and vested in the Resulting Company as if the same were originally given or issued to or executed in favor of the Resulting Company, and the rights and benefits under the same shall be available to the Resulting Company.

- 10.4 It is clarified that if any assets (estate, claims, rights, 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 Demerged Undertaking, which the Demerged Company owns or to which the Demerged Company is a party and which cannot be transferred to the Resulting Company for any reason whatsoever, the Demerged Company shall hold such asset or any contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company, in so far as it is permissible so to do till such time as the transfer is executed.
- 10.5 In pursuance of the Scheme, the Demerged Company and the Resulting Company shall agree to execute suitable agreements, deeds, affidavits, consent letters, power of attorney, applications and other documents and enter into such arrangements as may be required for giving effect to this Scheme.
- 10.6 All guarantees provided by the Demerged Company in respect of the Demerged Undertaking shall be valid and subsisting till adequate arrangements / guarantees have been provided in respect of the same by the Resulting Company.

## 11. TREATMENT OF TAXES

- 11.1 Any tax liabilities under the Income Tax Act, 1961, Wealth Tax Act, 1957, Chapter VIII of Finance Act, 2016, Customs Act, 1962, Central Excise Act, 1944, Maharashtra Value Added Tax Act, 2002, Central Sales Tax Act, 1956, any other





state Sales Tax / Value Added Tax laws, Chapter V of Finance Act, 1994, The Integrated Goods and Services Tax Act, 2017, The Central Goods and Services Tax Act, 2017, Maharashtra Goods and Services Tax Act, 2017 and any other state Goods and Services Tax Act, 2017, The Goods and Services Tax (Compensation to States) Act, 2017, Stamp Laws or other Applicable Laws/ regulations, as amended from time to time (hereinafter in this Clause referred to as "Tax Laws") dealing with taxes/ duties/ levies allocable or related to the Demerged Undertaking whether or not provided for or covered by tax provision in the Accounts made as on the date immediately preceding the Appointed Date shall be transferred to Resulting Company.

- 11.2 All taxes (including income tax, minimum alternate tax, tax on distributed profits (i.e. Dividend Distribution Tax), tax on distributed income (i.e. Buy-back Tax), equalisation levy, wealth tax, sales tax, excise duty, customs duty, service tax, CGST, SGST, IGST, GST Compensation Cess, value added tax ("VAT"), etc.) paid or payable by the Demerged Company in respect of the Demerged Undertaking under any Tax Laws for the time being in force in respect of the operations and/or the profits of the business on and from the Appointed Date, shall be on account of the Resulting Company and, in so far as it relates to the tax payment (including without limitation income tax, wealth tax, sales tax, excise duty, customs duty, service tax, CGST, SGST, IGST, GST Compensation Cess, VAT, etc.), whether by way of deduction at source, advance tax, or otherwise howsoever, by the demerged Company in respect of the profits or activities or operation of the business on and from the Appointed Date, the same shall be deemed to be the corresponding item paid by the Resulting Company, and, shall, in all proceedings, be dealt with accordingly.

- 11.3 Any refund under the tax laws due to the Demerged Company and pertaining to the Demerged Undertaking consequent to the assessments made on the Demerged Company and for which no credit is taken in the accounts as on the date immediately



preceding the Appointed Date shall belong to and be received by the Resulting Company.

- 11.4 Further, any tax holiday/deduction/exemption/carry forward losses (including loss as per books of accounts) and unabsorbed depreciation (including unabsorbed depreciation as per books of accounts) entitled to / enjoyed/availed by the Demerged Company and pertaining to the Demerged Undertaking under the provisions of Income Tax Act, 1961 shall stand transferred to and vested in or deemed to be transferred to and vested in the Resulting Company and be entitled to/enjoyed/availed/utilized by the Resulting Company on and from the Appointed Date in the same manner as would have been entitled to/enjoyed/availed/utilized by the Demerged Company before implementation of this Scheme.
- 11.5 Without prejudice to the generality of the above, all benefits including under the Income Tax Act, 1961, sales tax, excise duty, customs duty, service tax, CGST, SGST, IGST, GST Compensation Cess, VAT, etc., pertaining to the Demerged Undertaking to which the Demerged Company is entitled to in terms of the applicable tax laws of the Union and State Governments, shall be available to and vest in the Resulting Company.
- 11.6 Upon this Scheme becoming effective, the Demerged Company and the Resulting Company are expressly permitted to revise or modify their financial statements and returns, along with prescribed forms, filings and annexures under the Income-tax Act, 1961 (including for the purpose of re-computing minimum alternative tax, and claiming other tax benefits), goods and services tax laws and other tax laws, and to claim refunds and / or credits for taxes paid (including tax on book profits, minimum alternative tax credit and foreign tax credit), and to claim tax benefits etc. and for matters incidental thereto, if required to give effect to the provisions of the Scheme notwithstanding that the period of filing / revising such returns / forms may have lapsed and period to claim refund / credit also elapsed upon this Scheme becoming effective.



## 12. CONDUCT OF BUSINESS UNTIL THE EFFECTIVE DATE

- 12.1 With effect from the Appointed Date and up to and including the Effective Date, the Demerged Company shall carry on the business of Demerged Undertaking with reasonable diligence in the ordinary course of business. The Demerged Company shall not, without the prior written consent of the Board of Directors of the Resulting Company or pursuant to any pre-existing obligation, sell, transfer or otherwise alienate, charge, mortgage, encumber or otherwise deal with, or dispose off, any of the assets of Demerged Undertaking or any part thereof.
- 12.2 With effect from the Appointed Date and up to and including the Effective Date:
- i. The Demerged Company, in relation to Demerged Undertaking, shall carry on and be deemed to have carried on all business and activities and shall hold and stand possessed of and shall be deemed to hold, and stand possessed of all its estates, assets, rights, title, interest, authorities, contracts, investments pertaining to Manufacturing Business and strategic decisions for and on account of, and in trust for, the Resulting Company;
  - ii. All profits and income accruing or arising to the Demerged Company, and losses and expenditure arising or incurred by it (including taxes, if any, accruing or paid in relation to any profits or income), in relation to Demerged Undertaking, for the period commencing from the Appointed Date and up to and including the Effective Date shall, for all purposes, be treated as and be deemed to be the profits, income, losses or expenditure (including taxes), as the case may be, of the Resulting Company;
  - iii. Any rights, powers, authorities or privileges exercised by the Demerged Company, in relation to Demerged Undertaking, shall be deemed to have been exercised by the Demerged Company for and on behalf of, and in trust for and



as an agent of the Resulting Company. Similarly, any of the obligations, duties and commitments that have been undertaken or discharged by the Demerged Company, in relation to Demerged Undertaking, shall be deemed to have been undertaken for and on behalf of and as an agent for the Resulting Company;

- iv. All taxes (including, without limitation, income tax, wealth tax, sales tax, excise duty, custom duty, service tax, VAT, IGST, SGST, GST Compensation Cess, etc.) paid or payable by the Demerged Company in respect of the operations and/or the profits of Demerged Undertaking before the Appointed Date, shall be on account of the Demerged Company and, (insofar as it relates to the tax payment (including, without limitation, income tax, wealth tax, sales tax, excise duty, custom duty, service tax, VAT, IGST, SGST, GST Compensation Cess, etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by the Demerged Company in respect of the profits or activities or operation of Demerged Undertaking after the Appointed Date, the same shall be deemed to be the corresponding item paid by the Resulting Company and, shall, in all proceedings, be dealt with accordingly; and
- v. The Demerged Company shall not vary the terms and conditions of service of the employees or conclude settlements with unions or employees of Demerged Undertaking, except in the ordinary course of business or consistent with past practice or pursuant to any pre-existing obligation without the prior written consent of the Board of Directors of the Resulting Company.

12.3 The Resulting Company shall be entitled, pending the sanction of the Scheme, to apply to any Governmental Authority, if required, under any law for such consents and approvals which the Resulting Company may be required to carry on the business of Demerged Undertaking.



### 13. REMAINING BUSINESS OF THE DEMERGED COMPANY

- 13.1 The Remaining Business of the Demerged Company and all the assets, liabilities and obligations other than Demerged Undertaking shall continue to belong to and be vested in and be managed by the Demerged Company.
- 13.2 All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case relating to the Remaining Business of the Demerged Company (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining Business of the Demerged Company) shall be continued and enforced by or against the Demerged Company after the Effective Date. The Resulting Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceedings in relation to the Remaining Business.
- 13.3 If proceedings are taken against the Resulting Company in respect of the matters referred to in Clause 13.2 above, the Resulting Company shall defend the same in accordance with the advice of the Demerged Company and at the cost and risk of the Demerged Company, and the Demerged Company shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by Resulting Company in respect thereof. In respect of such defense, the Demerged Company shall extend full and timely cooperation, including providing requisite information, personnel and the like, so as to enable the Resulting Company to defend the same.
- 13.4 Subject to the other provisions of this Scheme, in so far as the assets of the Manufacturing Business are concerned, the security, pledge, existing charges and mortgages, over such assets, to the extent they relate to any loans or borrowings of



the Remaining Business of the Demerged Company shall, without any further act, instrument or deed be released and discharged from the same and shall no longer be available as security, pledge, charges and mortgages in relation to those liabilities of the Demerged Company which are not transferred to the Resulting Company.

- 13.5 In so far as the assets of the Remaining Business of the Demerged Company are concerned, the security, pledge, existing charges and mortgages, over such assets, to the extent they relate to any loans or borrowings of the Manufacturing Business shall, without any further act, instrument or deed be released and discharged from such security, pledge, charges and mortgages. The absence of any formal amendment which may be required by a bank and /or financial institution in order to affect such release shall not affect the operation of this clause.
- 13.6 In so far as the existing security in respect of the loans and other liabilities relating to the Remaining Business of the Demerged Company are concerned, such security shall, without any further act, instrument or deed be continued with the Demerged Company only on the assets which are remaining with the Demerged Company.
- 13.7 Post demerger to carry on the remaining business of the Demerged Company, all the requisite business specific approvals, registrations, modifications and any other necessary compliance(s) as may be applicable at that time be applied and obtained from the respective regulatory authorities.
- 13.8 With effect from the Appointed Date and upto and including the Effective Date:
- i. The Demerged Company shall carry on and shall be deemed to have been carrying on all business and activities relating to the Remaining Business of the Demerged Company for and on its own behalf;
  - ii. All profits accruing to the Demerged Company thereon or losses arising or incurred by it (including the effect of taxes, if any, thereon) relating to the Remaining Business of the Demerged Company shall, for all purposes, be



treated as the profits or losses, as the case may be, of the Demerged Company;  
and

- iii. All assets and properties acquired by the Demerged Company in relation to the remaining Business of the Demerged Company on and after the Appointed Date shall belong to and continue to remain vested in the Demerged Company.

#### 14. SAVING OF CONCLUDED TRANSACTIONS

The transfer of properties and liabilities and the continuance of the proceedings by or against the Resulting Company under this Scheme shall not affect any transaction or proceedings already concluded by the Demerged Company to the end and intent that the Resulting Company accepts and adopts all acts, deeds and things done and executed by the Demerged Company in respect thereto as done and executed on behalf of the Resulting Company.

#### 15. MISCELLANEOUS

Upon effectiveness of this Scheme from Effective Date, the provisions of this Scheme shall take effect in their entirety without the requirement of any further act, matter or deed or approvals from any person so as to give effect to this Scheme. Accordingly, upon effectiveness of this Scheme from Effective Date, all relevant records shall be updated / amended so as to give effect to this Scheme and to vest the Demerged Undertaking together with all assets, liabilities, contracts, licences, intellectual property rights and employees of the Demerged Undertaking in the Resulting Company, without any procedural requirements for such assets, liabilities, contracts, licences, intellectual property rights and employees to first be registered or recorded in the name of the Demerged Company in terms of this Scheme.



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## PART III

## 16. APPLICATIONS TO NCLT OR OTHER APPROPRIATE AUTHORITIES

- 16.1 The Demerged Company and the Resulting Company shall, with all reasonable dispatch, make necessary applications under Sections 230 to 232 of the Act and/or other applicable provisions of the Act to the Hon'ble NCLT or such other Appropriate Authority, where the registered offices of the Demerged Company and the Resulting Company are situated, for seeking order for dispensing with or convening, holding and conducting of meeting of the members and/or creditors of the Demerged Company and the Resulting Company, as may be directed by the NCLT or such other Appropriate Authority for approval of this Scheme and all matters ancillary or incidental thereto.
- 16.2 On the Scheme being approved by the requisite majorities of the members and/or creditors of the Demerged Company and the Resulting Company whether at a meeting or by consents, as prescribed under the Applicable Laws and/or as directed by the NCLT or such other Appropriate Authority, the Demerged Company and the Resulting Company shall, with all reasonable dispatch, apply to the NCLT, Bench at Mumbai for sanctioning of the Scheme under Sections 230 to 232 of the Act, and for such other order or orders, as the NCLT or such other authority may deem fit for carrying this Scheme into effect.

## 17. MODIFICATIONS OR AMENDMENTS TO THE SCHEME

- 17.1 The Demerged Company and the Resulting Company by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize, including any committee or sub-committee thereof, may make and/or accord their consent to any modifications/amendments to the Scheme or to any conditions or limitations that the NCLT or any other authority, may deem fit to direct or impose or which may otherwise be considered necessary, desirable or





appropriate by them. The Demerged Company and the Resulting Company by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize including any committee or sub-committee thereof, shall be authorized to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or orders of any other authorities or otherwise whatsoever arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith. In case, post approval of the Scheme by the NCLT, there is any confusion in interpreting any clause of this Scheme, or otherwise, Board of Directors of the Demerged Company and the Resulting Company will have complete power to take the most sensible interpretation so as to render the Scheme operational.

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

#### 18. SCHEME CONDITIONAL ON APPROVALS/ SANCTIONS

- 18.1 The effectiveness of this Scheme is and shall be conditional upon and subject to the fulfillment of the following conditions:
- a. Obtaining observation letter from the stock exchanges, where the equity shares of the Demerged Company are listed or SEBI, in relation to the Scheme under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015;



- b. Approval of the Scheme by requisite majority of each class of shareholders and creditors of the Demerged Company and the Resulting Company and such classes of persons of the said Companies, if any, as applicable or as may be required under the Act and/or as may be directed by the Tribunal;
- c. Approval of the Scheme by the public shareholders of Demerged Company through e-voting in terms of para 10 of part I of the SEBI Circular and the Scheme shall be acted upon only if the votes cast by the public shareholders of Demerged Company in favour of the proposal are more than the number of votes cast by the public shareholders of Demerged Company against it;
- d. Compliance with the other provisions of the SEBI Circular or with the provisions of any other any Applicable Law;
- e. The Scheme being sanctioned by the Hon'ble NCLT under Sections 230 to 232 of the Act;
- f. Certified or authenticated copy of the final Order of the NCLT, sanctioning this Scheme under the provisions of Sections 230 to 232 of the Act, being filed with the Registrar of Companies, Maharashtra at Mumbai either by way of filing required e-forms with Ministry of Corporate Affairs portal or otherwise; and
- g. The Demerged Company and the Resulting Company are in compliance with minimum public shareholding requirements on a fully diluted basis; in accordance with and to the extent applicable under SEBI regulations; and further also undertake to comply with the same, with regard to any equity shares that will be issued pursuant to this Scheme.

18.2 It is hereby clarified that submission of the Scheme to the Tribunal and to the Appropriate Authorities for their respective approval is without prejudice to all



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rights, interests, titles or defenses that the Demerged Company and the Resulting Company may have under or pursuant to all Applicable Laws.

- 18.3 On the approval of this Scheme by the shareholders of the Demerged Company and the Resulting Company and such other classes of persons of the said Companies, if any, such shareholders and classes of persons shall also be deemed to have resolved and accorded all relevant consents under the Act or otherwise to the same extent applicable in relation to the demerger set out in this Scheme, related matters and this Scheme itself.

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

- 19.1 In the event of any of the said sanctions and approvals referred to in the preceding clause not being obtained and/or complied with and/or satisfied and/or this Scheme not being sanctioned by the NCLT or such other competent authority and/or order or orders not being passed as aforesaid, this Scheme shall stand revoked, cancelled and be of no effect and in that event, no rights and liabilities whatsoever shall accrue to or be incurred inter se between the Demerged Company and the Resulting Company or their respective shareholders or creditors or employees or any other person and save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights, liabilities or obligations which have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out in accordance with the Applicable Law and in such case, each party shall bear its own costs unless otherwise mutually agreed.

**20. REVOCATION, WITHDRAWAL OF THIS SCHEME**

- 20.1 The Board of the Demerged Company shall be entitled to revoke, cancel, withdraw and declare this Scheme of no effect at any stage if, (a) this Scheme is not being sanctioned by the NCLT or if any of the consents, approvals, permissions, resolutions, agreements, sanctions and conditions required for giving effect to this



Scheme are not obtained or for any other reason (b) in case any condition or alteration imposed by the shareholders and / or creditors of the Demerged Company and Resulting Company, the NCLT or any other authority is not acceptable to the Board of the Demerged Company, or (c) the Board of the Demerged Company is of the view that the coming into effect of this Scheme, in terms of the provisions of this Scheme, or filing of the drawn up order with Appropriate Authority could have adverse implications on all or any of the Demerged Company or Resulting Company

- 20.2 On revocations, withdrawal, cancellation, this Scheme shall stand revoked, withdrawn, cancelled, and be of no effect and in that event, no rights and liabilities whatsoever shall accrue to or be incurred inter se between the Demerged Company and the Resulting Company or their respective shareholders or creditors, or employees, or any other person, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out in accordance with the Applicable Law and in such case, the Demerged Company shall bear all costs relating to this Scheme unless otherwise mutually agreed.

## 21. DIVIDENDS

- 21.1 The Demerged Company shall be entitled to declare and pay dividends to its shareholders in respect of the accounting period ending 31<sup>st</sup> March 2023 consistent with the past practice or its ordinary course of business, whether interim or final. Any other dividend shall be recommended / declared only by the mutual consent of the concerned parties.
- 21.2 It is clarified that the aforesaid provisions in respect of declaration of dividends (whether interim or final) are enabling provisions only and shall not be deemed to confer any right on any shareholder of the Demerged Company or the Resulting



Company to demand or claim or be entitled to any dividends which, subject to the provisions of the Act, shall be at the discretion of the respective Boards of the Demerged Company and the Resulting Company, and subject to approval, if required, of the shareholders of the Demerged Company and the Resulting Company respectively.

## 22. SCHEME AS AN INTEGRAL WHOLE AND SEVERABILITY

The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes an integral whole. The Scheme would be given effect to only if it is approved in its entirety unless specifically agreed otherwise by the respective Board of Directors of the Demerged Company and the Resulting Company.

## 23. BINDING EFFECT

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

## 24. COSTS, CHARGES & EXPENSES

All costs, charges, taxes including duties, levies and all other expenses including stamp duty and registration fee of any deed, document, instrument and/or order passed by the Hon'ble NCLT including this Scheme or in relation to or in connection with negotiations leading up to the Scheme and of carrying out and implementing the terms and provisions of this Scheme and incidental to the completion of arrangement in pursuance of this Scheme, if any (save as expressly otherwise agreed) of the Demerged Company and the Resulting Company shall be borne in the manner as may be mutually agreed to between the Board of Directors



or persons authorised by the Board of Directors of the Demerged Company and the Resulting Company.

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CONFIDENTIAL



### Annexure I



This Annexure forms an integral part of the Scheme, and lists down the specific list of immovable properties, Intellectual Property Rights, incentives / benefits, and registrations / consents / licenses which shall form part of the Demerged Undertaking, and be transferred from the Demerged Company to the Resulting Company under this Scheme, without prejudice to the generality of the definition of 'Demerged Undertaking' as defined in this Scheme

• List of immovable properties

| Sr. No. | City   | Type of Property            | Property details and address   |
|---------|--------|-----------------------------|--|
| 1.      | Nagpur | MIDC Industrial Land        | B-27 & B-27/1, M.I.D.C. Industrial Area, Hingna Road, Nagpur-440016, Maharashtra |
| 2.      | Nagpur | MIDC Industrial Land        | L-6/1 M.I.D.C. Industrial Area, Hingna Road, Nagpur-440016, Maharashtra          |
| 3.      | Nagpur | Factory and office Building | B-27 & B-27/1, M.I.D.C. Industrial Area, Hingna Road, Nagpur-440016, Maharashtra |
| 4.      | Nagpur | Factory and office Building | L-6/1 M.I.D.C. Industrial Area, Hingna Road, Nagpur-440016, Maharashtra          |



• List of Intellectual Property Rights

| Sr. No. | Nature          | Details   |
|---------|-----------------|---|
| 1.      | Trademark       | <br><b>EMKAY TOOLS</b><br>HSS GROUND THREAD TAP<br><b>Trademark No. 904020 in Class-08</b><br><i>valid till 17.02.2030</i> |
| 2.      | Trade Name      | EMKAY TOOLS   |
| 3.      | Product Marking |    |

• List of Industry Specific Incentive / Benefits

| Sr. No. | Type of Incentive   | Details  |
|---------|---|--|
| 1.      | Package Scheme of Incentives - 2019                                 | Eligibility Certificate No. JDIN/PSI-2019/Expn/EC No.18/2021-22/37687 dated 16/12/2022 Operative period of EC 01.04.2022 to 31.03.2038   |
| 2.      | Scheme for Remission of Duties or Taxes on Export Products (RODTEP) | Foreign Trade Policy 2015-20 vide DGFT Notification No. 19/2015-20 dated 17.08.2021 wherein Credit available under the Scheme for Exports can be utilised for Imports, credit available under this scheme is ongoing and perpetual in nature |
| 3.      | Goods and Service Tax   | Input credit available under Goods and Service Tax is ongoing and perpetual in nature  |





• List of Industry Specific Registrations/Consents/License(s)

| Sr. No. | Particulars                         | Details  |
|---------|-------------------------------------|--|
| 1.      | Import Export Code                  | IEC code: 0393050165 issued by Ministry of Commerce and Industry, Directorate General of Foreign Trade |
| 2.      | Factory License                     | Validity 2023-2027   |
| 3.      | Maharashtra Pollution Control Board | Green I SSII O-46<br>Consent No: SRG-NAGPUR II/CONSEN172106000077<br>valid till 31.10.2025             |
| 4.      | MSME Udyam Registration Number      | Issued by Ministry of Micro, Small and Medium Enterprise<br>UDYAM-MH-20-0004544                        |

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*[Signature]*  
 Director, Emkoy Tools Ltd.  
 Director, Finance, Strategy & CEO

Certified True Copy \_\_\_\_\_  
 Date of Application 29/10/2024  
 Number of Pages 51  
 Fee Paid Rs. 255/-  
 Applicant called for collection copy on 12/11/2024  
 Copy prepared on 18/11/2024  
 Copy issued on 12/11/2024



*[Signature]* 12/11/2024  
 Deputy Registrar  
 National Company Law Tribunal, Mumbai Bench



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