

HCL TECHNOLOGIES LIMITED

MEETING OF THE SECURED CREDITORS

Date **19th January, 2013**

Time **01:00 P.M.**

Venue **FICCI Auditorium
Federation House,
1, Tansen Marg
New Delhi-110001**

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**IN THE HIGH COURT OF DELHI AT NEW DELHI
COMPANY JURISDICTION
COMPANY APPLICATION (M) NO. 187 of 2012**

In the matter of the Companies Act, 1956

And

In the matter of Sections 391 and 394 of the Companies Act, 1956

And

In the matter of Scheme of Arrangement

Between

HCL Comnet Systems & Services Limited

..... HCLSS/ Applicant Company- I

And

HCL Technologies Limited

..... HCLT/ Applicant Company- II

(Collectively referred to as the Applicant Companies)

(Collectively referred to as the Applicant Companies)

NOTICE CONVENING MEETING OF THE SECURED CREDITORS

To,

The Secured Creditors of HCL Technologies Limited (HCLT/Applicant Company-II)

TAKE NOTICE that by an Order made on 7th December, 2012, the Hon'ble High Court of Delhi at New Delhi has directed that the meeting of the Secured Creditors of HCLT/Applicant Company-II, be convened and held on 19th, January, 2013 at FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi – 110 001, for the purpose of considering and, if thought fit, approving with or without modification(s), the Scheme of Arrangement between HCL Comnet Systems & Services Limited (HCLSS/Applicant Company-I) and HCL Technologies Limited (HCLT/Applicant Company-II), and their respective shareholders and creditors.

TAKE FURTHER NOTICE that in pursuance of the aforesaid order of the Hon'ble High Court of Delhi at New Delhi and as directed therein, notice is hereby given that the meeting of the Secured Creditors of HCLT/Applicant Company-II be convened to be held on Saturday, the 19th day of January 2013, at 01.00 P.M. at FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi – 110 001 at which you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person/ authorized representative or by proxy provided that a proxy in the prescribed form, duly signed by you, is deposited at the Registered Office of the HCL Technologies Limited (HCLT/Applicant Company-II) at 806, Siddharth, 96, Nehru Place, New Delhi-110019 not later than forty eight (48) hours before the meeting.

The Hon'ble High Court of Delhi has appointed Mr. Sanjay Sharawat, to be the Chairperson of the said meeting and Mr. Apurv Chandola to be the Alternate Chairperson for the said meeting of the Secured Creditors.

A copy each of the Scheme of Arrangement, the Explanatory Statement under Section 393 of the Companies Act, 1956 and a Form of Proxy are enclosed.

Dated this 17th Day of December, 2012

Place: New Delhi.

Note: All alterations made in the proxy form should be initialed.

Sd/-

Mr. Sanjay Sharawat

Chairperson appointed for the Meeting of Secured Creditors

**IN THE HIGH COURT OF DELHI AT NEW DELHI
COMPANY JURISDICTION
COMPANY APPLICATION (M) NO. 187 of 2012**

In the matter of the Companies Act, 1956

And

In the matter of Sections 391 and 394 of the Companies Act, 1956

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In the matter of Scheme of Arrangement

Between

HCL Comnet Systems & Services Limited

..... HCLSS/ Applicant Company- I

And

HCL Technologies Limited

..... HCLT/ Applicant Company- II

(Collectively referred to as the Applicant Companies)

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

- 1) Pursuant to an Order dated 7th day of December, 2012 passed by the Hon'ble High Court of Delhi at New Delhi in the Company Application referred to hereinabove ("**Order**"), separate meetings of the Secured Creditors of HCL Comnet Systems & Services Limited (HCLSS/ Applicant Company – I) and Equity Shareholders and Secured Creditors of HCL Technologies Limited (HCLT/ Applicant Company – II) are being convened and held for the purpose of considering, and if thought fit, approving, with or without modification(s), the Scheme of Arrangement ("**Scheme**") between HCL Comnet Systems & Services Limited (HCLSS/ Applicant Company – I) and HCL Technologies Limited (HCLT/ Applicant Company – II) and their respective shareholders and creditors.
- 2) In pursuance of the Order and as directed therein, the meeting of the Secured Creditors of HCLSS/ Applicant Company – I will be held on Saturday, the 19th January, 2013 at 10.30 A.M. at FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi – 110 001, at which time and place, the Secured Creditors of HCLSS/ Applicant Company – I are requested to attend.
- 3) In pursuance of the Order and as directed therein, the meeting of the Equity Shareholders of HCLT/ Applicant Company – II will be held on Saturday, the 19th January, 2013 at 3.30 P.M. at FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi – 110 001, at which time and place, the Equity Shareholders of HCLT/ Applicant Company – II are requested to attend.
- 4) In pursuance of the Order and as directed therein, the meeting of the Secured Creditors of HCLT/ Applicant Company – II will be held on Saturday, the 19th January, 2013 at 1.00 P.M. at FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi – 110 001, at which time and place, the Secured Creditors of HCLT/ Applicant Company – II are requested to attend.
- 5) A copy of the Scheme setting out in detail the terms and conditions of the proposed arrangement is enclosed.
- 6) That **HCL Comnet Systems & Services Limited ("HCLSS/Applicant Company - I")** was incorporated on 29.12.1993 vide Certificate of Incorporation No. 55-56665, under the jurisdiction of the Registrar of Companies, NCT of Delhi and Haryana.
- 7) That presently the **Registered Office** of HCLSS/ Applicant Company – I is situated at 806, Siddharth, 96, Nehru Place, New Delhi – 110019 in the State of Delhi.
- 8) That the position of the authorized, issued, subscribed and paid up share capital of the HCLSS/Applicant Company - I as on 30.06.2012 is as follows:

Authorized Share Capital	Figures in Rs.
Rs. 20,00,00,000/- (Rupees Twenty Crores only) consisting of 2,00,00,000 (Two Crore) equity shares of Rs. 10/- (Rupees Ten) each.	Rs. 20,00,00,000/- (Rupees Twenty Crores only)
Rs. 55,00,00,000/- (Rupees Fifty Five Crores only) consisting of 55,00,00,000 (Fifty Five Crores) 1 % Cumulative Redeemable Preference shares of Re. 1/- (Rupees One) each.	Rs. 55,00,00,000/- (Rupees Fifty Five Crores only)
Total	Rs.75,00,00,000/-
Issued, Subscribed and Paid-up capital	Figures in Rs.
Rs. 12,80,93,690/- (Rupees Twelve Crore Eighty Lakhs Ninety Three Thousand Six Hundred and Ninety only) consisting of 1,28,09,369 (One Crore Twenty Eight Lakhs Nine Thousand Three Hundred and Sixty Nine) equity shares of Rs. 10/- (Rupees Ten) each.	Rs. 12,80,93,690/- (Rupees Twelve Crore Eighty Lakhs Ninety Three Thousand Six Hundred and Ninety only)
Total	Rs. 12,80,93,690/-

As on date, the authorized, issued, subscribed and paid-up share capital of HCLSS/Applicant Company - I remains the same as it was on 30.06.2012.

- 9) The **main objects** of HCLSS/Applicant Company - I as set out in the Objects clause of its Memorandum of Association are as under:-

- (a) *To carry on in India or elsewhere all or any of the business or businesses of engineers in all or any of the field of electronics, electrical, telecommunications, mechanical, chemical and civil engineering and designers, assemblers and manufacturers of, dealers in, stockists, distributors, representatives, agents, hirers, service providers, repairers, cleaners, stores and leasing of all kinds of plant, machinery, equipment, apparatus, implements, parts, components, spares, assemblies, sub-assemblies and other devices and scientific or other instruments, precision tools, moulds and other equipments (including in particular computers, satellite communication, fiber optic, radio, microwave, wireless, landline based switching, transmission, distribution and any other related equipment for data video voice fax and other analog and digital communication, accessories thereof and peripherals thereof, digital products, electronic aids and appliances, hardware and software, for electronic and electro-mechanical and other related equipment and other ancillary items) and any other articles, products, by products, material appliances, apparatus and substitutes thereof.*
- (b) *To render as principals, agents, contractors or otherwise, technical know-how, consultancy services, training services, software development services, systems integration services, data, voice, video and fax communication service provider in the field of electronics and electrical, telecommunication, mechanical, chemical and civil engineering, particularly those requiring use of sophisticated technology including the provision of facilities and collection and dissemination of knowledge.*

- 10) That **HCL Technologies Limited** ("HCLT/Applicant Company - II") was incorporated on 12.11.1991 vide Certificate of Incorporation No. 55-46369, under the jurisdiction of the Registrar of Companies, NCT of Delhi and Haryana under the name HCL Overseas Limited. The name of HCLT/Applicant Company - II was then changed to HCL Consulting Limited on 14th July 1994 and then to the present name HCL Technologies Limited on 6th October 1999.
- 11) That presently the registered office of HCLT/ Applicant Company - II is situated at 806, Siddharth, 96, Nehru Place, New Delhi – 110019 in the State of Delhi.
- 12) That the position of the authorized, issued, subscribed and paid up share capital of HCLT/Applicant Company - II as on 30.06.2012 is as follows:

Authorized Share Capital	Figures in Rs.
Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) consisting of 75,00,00,000 (Seventy Five Crore) equity shares of Rs. 2/- (Rupees Two) each.	Rs.150,00,00,000/- (Rupees One Hundred and Fifty Crores only)
Total	Rs. 150,00,00,000/-
Issued, Subscribed and Paid-up capital	Figures in Rs.
Rs. 138,65,66,952/- (Rupees One Hundred and Thirty Eight Crores Sixty Five Lacs Sixty Six Thousand Nine Hundred and Fifty Two only) consisting of 69,32,83,476 (Sixty Nine Crores Thirty Two Lakhs Eighty Three Thousand Four Hundred and Seventy Six) equity shares of Rs. 2/- (Rupees Two) each.	Rs. 138,65,66,952/- (Rupees One Hundred and Thirty Eight Crores Sixty Five Lacs Sixty Six Thousand Nine Hundred and Fifty Two only)
Total	Rs. 138,65,66,952/-

As on date, the authorized share capital remains the same. However the issued, subscribed and paid-up share capital of HCLT/Applicant Company - II has changed to the extent of the shares issued under ESOP Scheme of HCLT/Applicant Company - II.

- 13) The **main objects** for which the HCLT/Applicant Company - II has been established are set out in its Memorandum of Association. The main objects specified in the Memorandum of Association, inter alia, are set out hereunder:

- (a) *To develop, provide, undertake, design, import, export, distribute and deal in Systems and Application software for microprocessor based information systems, offshore software development projects, software project consultancy, development of computer languages and allied computer services and to own and/or operate data processing and service bureau centres in India and abroad.*
- (b) *To advise and render services like staff and management recruitment, training and placements, technical analysis of data, electronic data processing, preparation of project reports, surveys and analysis for implementation of project and their progress review, critical path analysis, organization and methods studies and other economic, mathematical, statistical, scientific and modern management techniques and to establish and render any and all consultancy and other services of professional and technical nature and to undertake assignments, jobs and appointments.*

- 14) The **salient features/terms of the said Scheme of Arrangement** are as under:

[The reference of clauses and sub clauses herein below refers to those of the Scheme]

A. This composite scheme of arrangement (hereinafter referred to as the "**Scheme**") provides for:

- a) *the demerger of Demerged Undertaking (as defined hereinafter) of HCL Comnet Systems & Services Limited to HCL Technologies Limited;*

- b) reorganization of equity share capital of HCL Comnet Systems & Services Limited;

pursuant to sections 391 to 394 read with sections 100 to 103 and other relevant provisions of the Companies Act, 1956 in the manner provided for in the Scheme.

B. The Scheme is divided into the following parts:

- (a) Part I deals with the Definitions and Share Capital;
- (b) Part II deals with the demerger of Demerged Undertaking (as defined hereinafter) of HCL Comnet Systems & Services Limited to HCL Technologies Limited;
- (c) Part III deals with reorganization of the equity share capital of HCL Comnet Systems & Services Limited;
- (d) Part IV deals with the residual business of HCL Comnet Systems & Services Limited;
- (e) Part V deals with the general terms and conditions that would be applicable to the Scheme.

PART I

Definitions and Share Capital

1. Definitions

- ii. **"Appointed Date"** means 1st April, 2012 or such other date as the Board of HCLT and HCLSS deem fit and proper in the interest of all the companies.
- iv. **"Demerger"** means vesting of the Demerged Undertaking of HCLSS, on a going concern basis, into HCLT and the consequent issue of equity shares by HCLT in terms of para 14 (a), of the Scheme to the shareholders of HCLSS.
- v. **"Demerged Undertaking"** means the IT Enabled Services Division of HCLSS comprising of data centre management services, end user computing services, managed security services, networking services, tools and process consulting services, which would be transferred on a going concern basis to HCLT on and from the Appointed Date. The Demerged Undertaking shall mean and include (without limitation):
- a) all properties and assets, movable tangible and intangible, real and personal, corporeal and incorporeal, in possession or in reversion, present and future, contingent or of whatsoever nature, where-so-ever situated, as on the Appointed Date including but not limited to, building, electric Installation, generator, refrigerator, intercom, turbine, photocopy machine, computers, software, capital, work in progress, vehicles, office equipments, telephones, facsimile, other communication facilities and equipment, electricity and other such connections, air conditioner(s), furniture, fixture and fittings, stock in hand, sundry debtors, inventories, cash and bank balances, unbilled revenue, deferred cost, balance with government authorities, capital work in progress, fixed deposits, stores and spares, bills of exchange, receivable(s), loans and advances including interest receivable, deferred tax assets etc., if any, pertaining to Demerged Undertaking;
- b) all leases or parts thereof, tenancy rights and agency, if any, pertaining to the Demerged Undertaking and all other interests or rights in or arising out of or relating to such properties together with all rights, powers, interests, charges, privileges, benefits, entitlements, industrial and other licenses (and/or conditions attached thereto), registrations including but not limited to registration(s) permission(s) issued by Software Technology Parks of India, Ministry of Communications & Information Technology, Government of India, other registrations under respective states, quotas, trademarks, patents, copyrights, brand names, import quotas, liberties, easements, advantages, rights and benefits of all agreements, allotments held by HCLSS or applied after the Appointed Date and pertaining to Demerged Undertaking as on Appointed Date of whatsoever kind, nature or description held, applied for or may be obtained thereafter together with the benefit of all contracts and engagements and all books, papers, documents and records, related to the Demerged Undertaking and all rights, obligations, benefits available under any rules, regulations, statutes including but not limited to direct and indirect taxes and particularly sales tax benefits/ exemptions, service tax credit, minimum alternate tax credit, Income tax exemptions etc;
- c) all investments including investments in HCL Comnet Limited and HCL EAS Limited, loans and advances, including accrued interest thereon and loans to employees, of HCLSS pertaining to the Demerged Undertaking;
- d) all debts, liabilities, loans, deposits, credit balance in the profit and loss account of the Demerged Company relating to the Demerged Undertaking, obligations, provisions including provision for gratuity and provision for leave encashment, financial lease obligation, present and future, secured or unsecured, contingent or of whatsoever nature, sundry creditors, book overdraft, unearned revenue and other liabilities pertaining to Demerged Undertaking;
- e) all employees engaged in relation to Demerged Undertaking and required in the opinion of management of HCLSS for the Demerged Undertaking at the branches and other offices etc;

- f) all security deposits, prepaid expenses, earnest monies, payment against warrants or other entitlements, if any, in connection with or pertaining to Demerged Undertaking.

It is intended that all assets, liabilities and properties, together with all rights, powers, interests, charges, privileges, benefits, entitlements including but not limited to benefit of credit available in respect of minimum alternate tax paid, service tax paid or carry forward losses, if any, relating to Demerged Undertaking be vested in HCLT pursuant to this Scheme.

- vi. **“Effective Date”** means the date on which the certified copy of the order of the High Court approving the Scheme is filed with the Registrar as required under the provisions of the Act.

References in this Scheme to the date of “coming into effect of this Scheme” or “effectiveness of the Scheme” shall mean the Effective Date.

- viii. **“HCLSS/ Demerged Company”** means HCL Comnet Systems & Services Limited, a company incorporated under the Act and having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi – 110019.

- ix. **“HCLT/ Resulting Company”** means HCL Technologies Limited, a company incorporated under the Act and having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi – 110019.

- x. **“Record Date”** means the date to be fixed by the Board of HCLT in consultation with HCLSS, with reference to which the eligibility of the shareholders of HCLSS for the purposes of issue and allotment of equity shares of HCLT in terms of the Scheme shall be determined;

- xi. **“Residual Business”** means all the business activities and undertakings of HCLSS including but not limited to the telecom business carried on by HCLSS other than those pertaining to that of the Demerged Undertaking on or after the Scheme becoming effective.

- xiii. **“Reorganization Record Date”** means the date, after giving effect to the Demerger and the reduction in face value of each equity share of the Demerged Company as provided in clause 16 in the books of HCLSS, to be fixed by the Board of HCLSS, with reference to which the eligibility of equity shareholders of HCLSS, for the purpose of issue and allotment of Second New Equity Shares (as defined hereinafter) of HCLSS, in terms of part III of the Scheme, shall be determined.

- xiv. **“Scheme”** means this scheme of arrangement in its present form with any amendment/modifications approved or imposed or directed by the Board and/or shareholders and/or creditors and/or by High Court.

2. Share capital

- 2.1 The authorized, issued, subscribed and paid up share capital of the Demerged Company and Resulting Company as on March 31st, 2012 is as under:

Name of the Company	Authorised Capital	Issued, subscribed and paid up capital
HCLSS ("Demerged Company")	Rs. 20,00,00,000/- (Rupees Twenty Crores only) consisting of 2,00,00,000 (Two Crore) equity shares of Rs. 10/- (Rupees Ten) each. Rs. 55,00,00,000/- (Rupees Fifty Five Crores only) consisting of 55,00,00,000 (Fifty Five Crores) 1 % Cumulative Redeemable Preference shares of Re. 1/- (Rupee One) each.	Rs. 12,80,93,690/- (Rupees Twelve Crore Eighty Lakhs Ninety Three Thousand Six Hundred and Ninety only) consisting of 1,28,09,369 (One Crore Twenty Eight Lakhs Nine Thousand Three Hundred and Sixty Nine) equity shares of Rs. 10/- (Rupees Ten) each.
HCLT ("Resulting Company")	Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) consisting of 75,00,00,000 (Seventy Five Crore) equity shares of Rs. 2/- (Rupees Two) each	Rs. 138,46,77,064/- (Rupees One Hundred and Thirty Eight Crores Forty Six Lakhs Seventy Seven Thousand and Sixty Four only) consisting of 69,23,38,532 (Sixty Nine Crores Twenty Three Lakhs Thirty Eight Thousand Five Hundred and Thirty Two) equity shares of Rs. 2/- (Rupees Two) each

PART II

DEMERGER OF DEMERGED UNDERTAKING OF HCLSS TO HCLT

- 4) a) Upon the Scheme coming into effect and with effect from the Appointed Date, any statutory licenses, permissions, approvals, sanctions, consents, concessions, benefits or exemptions, including but not limited to permissions or approvals, if any, and/or the permissions/licenses issued by State Government(s) under various enactments and exemptions with respect to sales tax and income tax, if any, relating to Demerged Undertaking, which the Demerged Company is or would

be entitled to shall stand vested in or transferred to Resulting Company without further act or deed, and shall be appropriately mutated/transferred by the concerned authorities in favour of Resulting Company upon the vesting and transfer of Demerged Undertaking of Demerged Company, pursuant to this Scheme. The benefit of all such statutory and regulatory permissions, licenses, environmental approvals and consents including the statutory licences, permissions, approvals, sanctions or consents, and entitlements, incentives, exemptions relating to Demerged Undertaking shall vest in and become available to Resulting Company pursuant to the Scheme. Any no-objection certificates, licences, permissions, consents, approvals, sanctions, authorizations, registrations (including but not limited to registration(s) permission(s) issued by Software Technology Parks of India, Ministry of Communications & Information Technology, Government of India), statutory rights or exemptions as are held by the Demerged Company including the statutory licences, permissions or approvals or consents or exemptions relating directly or indirectly to the Demerged Undertaking shall be deemed to constitute separate licences, permissions, no-objection certificates, consents, approvals, sanctions, authorizations, registrations, statutory rights or exemptions, and the relevant or concerned statutory authorities and licensors shall endorse and/or mutate or record the separation, upon the filing of the Scheme as sanctioned with such authorities and licensors after the Scheme becomes effective, so as to facilitate the continuation of operation in the Resulting Company and the Demerged Company without hindrance from the Appointed Date.

- b) Without prejudice to generality of the aforesaid, any concessional/statutory forms, refunds, rebate under the respective Central/State tax laws issued/received by the Demerged Undertaking of the Demerged Company in respect of period commencing from the Appointed Date shall be deemed to be issued/received in the name of the Resulting Company and benefit of such forms shall be allowable to the Resulting Company in the same manner and to the same extent as available to the Demerged Undertaking of the Demerged Company.
- 5)
- a) All debts, liabilities, credit balance in the profit and loss account of the Demerged Company relating to the Demerged Undertaking and other obligations of the Demerged Company relating to the Demerged Undertaking including but not limited to the contingent liability, financial lease obligations, provisions including provision for gratuity and provide for leave encashment pertaining to the Demerged Undertaking, general loans and borrowings of the Demerged Company, if any, as on the close of business on the day immediately preceding the Appointed Date, whether provided for or not in the books of account of the Demerged Company and other liabilities relating to the Demerged Undertaking which may accrue or arise on or after the Appointed Date, but which relate to the period upto the day immediately preceding the Appointed Date, (hereinafter referred to as the "Demerged Undertaking Liabilities") shall become the debts, liabilities, duties and obligations of the Resulting Company, upon the Scheme becoming effective, who shall undertake to meet, discharge and satisfy the same to the exclusion of the Demerged Company.
 - b) If any of the liabilities and obligations of the Demerged Undertaking as on the Appointed Date deemed to be transferred to the Resulting Company have been discharged by the Demerged Company after the Appointed Date and prior to the Demerger Effective Date, such discharge shall be deemed to have been taken for and on account of the Resulting Company and all loans raised and used and all liabilities and obligations incurred by the Demerged Company for the operations of the Demerged Undertaking after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent they are outstanding on the Effective Date shall also without any further act or deed be and stand transferred to the Resulting Company and shall become liabilities of Resulting Company which shall meet, discharge and satisfy the same. Such liabilities shall also form part of the Demerged Undertaking Liabilities as defined hereinabove.
 - c) In so far as the existing security in respect of the Demerged Undertaking Liabilities is concerned, such security unless otherwise agreed to be modified/amended by the relevant secured lender, shall continue to extend to and operate over the assets comprised in the Residual Business and the assets comprised in the Demerged Undertaking, which have been charged and secured in respect of the Demerged Undertaking Liabilities as transferred to the Resulting Company pursuant to this Scheme. Provided, however, that if any of the assets comprised in the Demerged Undertaking which have not been charged or secured in respect of the Demerged Undertaking Liabilities, such assets shall be transferred to the Resulting Company as unencumbered assets and in the absence of any formal amendment, which may be required by a lender or third party shall not affect the operation of the above and, this Scheme shall not operate so as to require any charge or security to be created on such assets or on any of the assets presently exists in the Resulting Company and are not subject to any change in relation to Demerged Undertaking Liabilities.
 - d) Without prejudice to the provisions of the foregoing clauses and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company may execute any instruments or documents or do any of the acts and deeds as may be required or as agreed upon by the Board of the Demerged Company and/or the Resulting Company with the relevant secured creditor(s), including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies, NCT of Delhi & Haryana to give formal effect to the provisions with regard to securitization of the Demerged Undertaking Liabilities.
 - e) Upon the coming into effect of the Scheme, the Resulting Company alone shall be liable to perform all obligations in respect of the Demerged Undertaking Liabilities, and the Demerged Company shall not have any obligations in respect of the Demerged Undertaking Liabilities and the Resulting Company shall indemnify the Demerged Company in this behalf.
 - f) It is expressly provided that, save as mentioned in this para, no other terms or conditions of the Demerged Undertaking liabilities are modified by virtue of this Scheme except to the extent that such amendment is required in order to implement this Scheme.

- g) Subject to the necessary consents being obtained, if required, in accordance with the terms of this Scheme, the provisions of this para shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document; all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.

7). With effect from the Appointed Date and upto the Effective Date:-

- a) The Demerged Company shall be deemed to have been carrying on all business and activities relating to the Demerged Undertaking and stand possessed of the properties to be transferred to Resulting Company for and on account of and in trust for Resulting Company.
- b) All income, receipts, profits of whatsoever nature accruing to the Demerged Company or losses, expenses and payments of whatsoever nature arising or incurred by it relating to the Demerged Undertaking shall for all purposes, be treated as profits, income, receipts, or losses, expenses, payments, as the case may be, of the Resulting Company.

14). Consideration:

- a) Upon the Scheme becoming effective, in consideration of the transfer and vesting of the Demerged Undertaking, the members of the Demerged Company ("Members"), except the Resulting Company itself, shall be entitled for 227(Two hundred and twenty seven) fully paid up equity shares of Rs. 2/- each of the Resulting Company for every 100 (Hundred) fully paid equity shares of Rs. 10/- each held by the Members whose names appear in the Register of Members of the Demerged Company as on the Record Date. The Resulting Company shall allot Equity shares ("hereinafter referred to as "New Equity Shares") to the Members or such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Demerged Company. In case there are any fractional entitlements, these shall be consolidated (rounded off to the next whole number) and the same shall be allotted to the trustee who shall be appointed by the Board of the Resulting Company in terms of clause 14(c) mentioned herein below.
- b) The New Equity Shares as allotted above shall be credited to the respective demat account of the Members of the Demerged Company provided that the Member has an account with a depository participant and has provided the details thereof and such other confirmations as may be required. In the event any Member has not provided the requisite details relating to the demat account with a depository participant or such other confirmations as may be required by the Resulting Company, the Resulting Company shall, with respect to those Members, issue a physical certificate in respect of the New Equity Shares with a minimum lot of fifty shares each (a lot below fifty shares shall be treated as odd lot to be dealt with in accordance with the provisions as contained in clause 14(c) hereinafter). No share certificate shall be issued by the Resulting Company in respect of the odd lot and the same shall be consolidated and these shares shall be allotted and credited to the demat account of the trustee who shall be appointed by the Resulting Company in terms of clause 14(c) mentioned herein below.
- c) The Board of the Resulting Company in its absolute discretion shall appoint any practicing chartered accountant/ practicing company secretary or such other person as the Board may deem fit as the trustee for the fractional shares and the odd lots and thereupon allot/credit the shares to the demat account of the said trustee as per clause 14(a) and 14(b) respectively with the express undertaking that such trustee to whom such shares have been credited, shall separately sell the same at the best available price in one or more lots (the decision of the trustee shall be taken as final as regards price and method of sale of such shares is concerned) and deposit the proceeds in separate bank accounts, one for fractional entitlement and other for odd lots and pay the net proceeds thereof from the aforesaid bank accounts to the members of the Demerged Company in proportion to their fractional entitlements and odd lot entitlements respectively. The Board of the Resulting Company in consultation with the trustee shall fix remuneration for the trustee and remuneration so paid shall be borne by the Company and not to be accounted for while determining the net proceeds payable to the members in proportion to their fractional or odd lot entitlements.
- d) Reduction and consolidation of the Equity Shares of the Company into New Equity Shares and amendments in the Memorandum and Articles of Association of the Company pursuant to this Scheme shall also be deemed to be in compliance with the provisions of sections 17, 31, 94, 95, 100 to 103 and other applicable provisions of the Act and rules and regulations made there under upon the Scheme becoming effective.
- e) The Transferee Company shall not be required to use the words "and reduced" as part of its corporate name and such use is dispensed with.
- f) The New Equity Shares to be issued in terms hereof shall be subject to the Memorandum and Articles of Association of the Resulting Company.
- g) The New Equity Shares of the Resulting Company to be issued and allotted in lieu of the equity shares of the Demerged Company shall rank, for dividend, voting rights and for all other benefits and in all other respects, *pari passu* with the existing equity shares of the Resulting Company with effect from the date of allotment of New Equity Shares.
- h) All the New Equity Shares so issued and allotted by the Resulting Company shall be listed and/or admitted to trading on the Stock Exchange(s). The Stock Exchanges shall list the said New Equity Shares, the issuance of which shall be considered as due compliance of the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, to the extent applicable and other applicable provisions of law. The Resulting Company will enter into such arrangements and give such confirmations and/or undertakings and/or file such necessary applications, as may be necessary in accordance with

applicable laws or regulations for complying with formalities of the said Stock Exchanges/Securities Exchange Board of India, if required.

- i) The issue and allotment of New Equity Shares to Members of the Demerged Company, as provided in this Scheme, shall be deemed to be made in compliance with the procedure laid down under section 81(1A) and any other applicable provisions of the Act.

15). Accounting Treatment:

(i) In the books of Demerged Company

- a) The demerger of the Demerged Undertaking as a going concern to the Resulting Company is in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961 and all the conditions provided therein are complied with.
- b) An amount lying under "Profit and Loss Account" of the Demerged Company, relating to the Demerged undertaking, shall be transferred to Resulting Company.
- c) Upon the Scheme becoming effective, the amount of difference between the aggregate value of assets over the aggregate value of liabilities of the Demerged Undertaking and the credit balance of the profit and loss account relating to the Demerged Undertaking, as transferred by the Demerged Company to the Resulting Company, shall be first adjusted against the issued, subscribed and paid up share capital of the Demerged Company by reducing the face value and paid up value per share of the Demerged Company from Rs. 10 per share to Rs. 1 per share and the balance, if any, shall be adjusted against the capital redemption reserve of the Demerged Company. The remaining deficit, if any, in the books of the Resulting Company shall be first adjusted against the securities premium account and balance against profit and loss account of the Demerged Company.
- d) Reduction of paid up value per share of the Demerged Company and the balance in the capital redemption reserve and securities premium account, in terms of provisions of clause 15(i)(b) herein above, shall be effected as a part of this Scheme itself and not under a separate process in terms of sections 100 to 103 of the Act and order of the High Court sanctioning the Scheme shall be deemed to be a due compliance of the provisions of sections 78, 94, 95, 100, 102 & 103 and any other applicable provisions of the Act and rules and regulations made there under. Consequently, the Demerged Company shall not be required to use the words "and reduced" as part of its corporate name.

(ii) In the books of Resulting Company

- a) Upon the Scheme becoming effective, all the assets and liabilities, the credit balance of the profit and loss account, relating to the Demerged Undertaking, of the Demerged Company, shall be transferred and vested in the Resulting Company at the values appearing in the books of the Demerged Company at close of business of the day immediately preceding the Appointed Date;
- b) The Resulting Company shall also credit to its share capital account, the aggregate face value of the new equity shares issued and allotted by it to the Members of the Demerged Company pursuant to clause 14 of this Scheme;
- c) In case of any differences in the accounting policy between Demerged Company and Resulting Company, the impact of the same till demerger shall be quantified and adjusted in the reserves and surplus of Resulting Company to ensure that the financial statement of Resulting Company reflects the financial position on the basis of consistent accounting policy.
- d) Upon the Scheme becoming effective, the excess/deficit, if any, of the net assets, i.e. aggregate value of the assets over the aggregate value of the liabilities of Demerged Undertaking recorded by the Resulting Company upon their transfer to and vesting in the Resulting Company under the Scheme over the aggregate value of the equity shares issued and allotted in terms of para 14 by the Resulting Company, shall be first adjusted against diminution in the value of the investments, if any, made by the Resulting Company in the Demerged Company consequent to such demerger, based upon the fair value of shares of the Demerged Company as arrived at by a firm of independent chartered accountants. The excess or deficit remaining after recording the aforesaid entries shall be credited to its capital reserves or debited to the general reserve, as the case may be which shall be forming part of the net worth of the Resulting Company for all purposes.
- e) Upon scheme becoming effective, the shares held by the Resulting Company in the demerged company shall be revalued at a price as determined by an independent valuer in terms of clause 20 of the Scheme and any loss on such revaluation shall be debited to the reserve as created in clause (d) above.

PART – III

REORGANISATION OF EQUITY SHARE CAPITAL OF HCLSS

- 16) Upon the Scheme becoming effective and after reducing the face value and paid up value per share of HCLSS from Rs.10/- to Re.1/- in terms of clause 15 i (b), such reduced face value / nominal value per equity share of HCLSS shall, without any further act or deed, stand altered by consolidating the equity shares of Re. 1/- (Rupee 1) each into 1 (one) equity share of Rs. 10,000/- (Rupees Ten Thousand) each ("**Second New Equity Shares**").

- 17) Pursuant to clause 16, the words and figures in Clause V of the Memorandum of Association of HCLSS shall be substituted to read as follows:

"The authorized share capital of the company is Rs. 20,00,00,000/- (Rupees Twenty Crores only) divided into 20,000 (Twenty Thousand) Equity Share of Rs. 10,000/- (Rupees Ten thousand) each and Rs. 55,00,00,000/- (Rupees Fifty Five Crores only) consisting of 55,00,00,000 (Fifty Five Crores) 1 % Cumulative Redeemable Preference shares of Re. 1/- (Rupee One) each."

Accordingly Article 3 of the Articles of Association of the Company shall, upon the Scheme coming into effect and without any further act or deed, stand replaced by the following clause:

"The authorized share capital of the company is Rs. 20,00,00,000/- (Rupees Twenty Crores only) divided into 20,000 (Twenty Thousand) Equity Share of Rs. 10,000/- (Rupees Ten thousand) each and Rs. 55,00,00,000/- (Rupees Fifty Five Crores only) consisting of 55,00,00,000 (Fifty Five Crores) 1 % Cumulative Redeemable Preference shares of Re. 1/- (Rupee One) each"

- 18) Pursuant to giving effect to the reorganization of equity shares, HCLSS shall file the amended copy of its Memorandum and Articles of Association with the Registrar of Companies, within 30 days from the date the Scheme becomes effective, who will register the same. The approval of this Scheme by the Shareholders of HCLSS under section 391 and 394 of the Act shall be deemed to have the approval under sections 16, 31, 94, 95 and other applicable provisions of the Act and any other consents and approvals required in this regard.
- 19) The Second New Equity Shares shall be allotted to the members of HCLSS whose names appear in the Register of Members and are entitled in terms of clause 16 herein above on the Reorganization Record Date.
- 20) HCLSS, in respect of the fractional entitlement, shall issue no fractional Second New Equity Shares on consolidation of the equity shares in terms of paragraph 16 mentioned herein above. The member of HCLSS entitled to such fractional entitlement shall be proportionately paid by way of cheque/draft by HCLSS at a minimum price as may be determined by an independent valuer. Such fractional equity shares shall automatically stand cancelled and extinguished upon payment thereof by HCLSS without any further act or deed by the member of HCLSS. Any payment made to the members entitled to such fractional entitlement over and above the face value of the fractional equity shares so cancelled shall be adjusted against the profit and loss account of HCLSS.
- 21) Upon the Scheme becoming effective, if on account of reorganization of equity share capital of HCLSS, the number of members of HCLSS falls below seven, i.e. the minimum number of members required in a public company, HCLT, in terms of section 187C of the Act, undertakes to declare the nominee(s) or representative(s) who shall hold the New Equity Shares for and on behalf of HCLT.
- 22) Consolidation of the equity shares of HCLSS into Second New Equity Shares and cancellation of fractional entitlement in terms of the provisions of paragraph 16 and 19, respectively, above shall also be deemed to be in compliance of the provisions of sections 94, 95, 100 to 103 and other applicable provisions of the Act and rules and regulations made there under upon the Scheme becoming effective. Consequently, HCLSS shall not be required to use the words "and reduced" as part of its corporate name.

PART-IV

RESIDUAL BUSINESS OF THE DEMERGED COMPANY

- 23)
- a) The Residual Business and all the assets (including but not limited to the immovable property owned by HCLSS at Bandra-Kurla Notified Area, Tehsil Andheri, Greater Bombay), liabilities and obligations pertaining thereto shall continue to belong and remain vested in and be managed by the Demerged Company.
 - b) All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case relating to the Residual Business (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Residual Business) shall be continued and enforced by or against the Demerged Company, which shall keep the Resulting Company fully indemnified in that behalf. The Resulting Company shall in no event be responsible or liable in relation to any such legal or other proceeding against the Demerged Company.
 - c) If proceedings are taken against the Resulting Company in respect of the matters referred to in clause (a) above, the Resulting Company shall defend the same in accordance with the advice of the Demerged Company and at the cost of the Demerged Company, and the latter shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by the Resulting Company in respect thereof.

The Secured Creditors of HCLSS/Applicant Company - I and Equity Shareholders and Secured Creditors of HCLT/Applicant Company - II are requested to read the entire text of the Scheme, annexed to this notice, to get better acquainted with the provisions thereof. As stated above, the aforesaid are only salient features thereof.

15) **Effect of the Scheme of Arrangement**

Upon the Scheme becoming effective, HCLSS/Applicant Company-I, would focus on the regulated business and the rest of the business of HCLSS/Applicant Company-I, would be merged with HCLT/Applicant Company-II. The share exchange ratio as mentioned in para 14 (a) of the Scheme has been arrived at by the adoption of several commonly used and accepted methods for determining the fair value of the equity shares of the HCLSS/ Applicant Company –I, to the extent relevant and applicable, including:

- (i) Market Multiplier Method;
- (ii) Discounted Cash Flow Method; and
- (iii) Net Asset Value Method.

- 16) The fair exchange ratio has been computed by Vaish & Associates, Chartered Accountants, appointed as valuers by the Applicant Companies. The Board of Directors/Restructuring Committee of the Applicant Companies on October 1, 2012, have relied upon the aforesaid expert advice and on the basis of independent evaluation and judgment come to the conclusion that the aforesaid proposed entitlement ratio is fair to the shareholders of Applicant Companies and have accordingly decided to incorporate the same in the Scheme.
- 17) In terms of the provisions of Clause 24 (h) of the Listing Agreement, KARVY Investor Services Limited, has given the Fairness Opinion, certifying that the valuation done by the valuers for determining the share exchange ratio on the basis of the aforesaid methodologies is fair. Copy of the said Fairness Opinion shall be placed before the meeting of the Secured Creditors of HCLSS/ Applicant Company – I and Equity Shareholders and Secured Creditors of HCLT/ Applicant Company – II for their consideration. Further the auditor's certificate (M/s S.R. Batliboi & Co) certifying that the accounting treatment proposed in the scheme is not in violation of the accounting standard prescribed under section 211 of the Companies Act, 1956 shall also be placed before the aforementioned meetings.
- 18) In terms of clause 24(f) of the Listing Agreement, the BSE Limited and National Stock Exchange of India Limited, have given their "No Objection" to the Scheme, vide their letter No. DCS/AMAL/SI/24(f)/368/2012-13, dated October 31, 2012, and letter No. NSE/LIST/184763-D dated October 25, 2012, issued to HCLT/ Applicant Company - II.
- 19) The Board of Directors of the HCLSS/Applicant Company - I and Restructuring Committee of the Board of Directors of HCLT/Applicant Company - II held on October 1, 2012 have approved the proposed arrangement embodied in the Scheme and are of the opinion that the proposed Scheme is in the interest of all concerned and the Scheme of Arrangement is in no way prejudicial to the interest of the shareholders, creditors or to public interest.
- 20) No investigation proceedings under Section 235 to 251 of the Act are pending against the Applicant Companies. No proceedings under section 397 and 398 of the Act have ever been launched against the Applicant Companies.
- 21) None of the Directors of the HCLSS/Applicant Company - I are interested in the Scheme otherwise than as shareholders in general. The extent of the shareholding of the directors of HCLSS/Applicant Company - I as on 30.11.2012, is as under:

S. No.	Name of Directors	Age (Years)	Position	Equity shares held in HCLSS/ Applicant Company I	Equity shares held in HCLT/ Applicant Company II
1.	Mr. Anant Gupta	47	Managing Director	Nil	44,084
2.	Mr. Sandip Gupta	53	Director	1	162
3.	Mr. Chalapati Rama Durga Prasad	55	Director	Nil	2,000

- 22) None of the Directors of the HCLT/Applicant Company - II are interested in the Scheme otherwise than as shareholders in general. The extent of the shareholding of the directors of HCLT/Applicant Company - I as on 30.11.2012, is as under:

S. No.	Name of Directors	Age (Years)	Position	Equity shares held in HCLSS/ Applicant Company I	Equity shares held in HCLT/ Applicant Company II
1.	Mr. Shiv Nadar	67	Chairman & Chief Strategy officer	Nil	184
2.	Mr. Vineet Nayar	50	Vice Chairman & CEO	Nil	Nil
3.	Mr. Subroto Bhattacharya	71	Director	Nil	66
4.	Mr. Ramanathan Srinivasan	66	Director	Nil	Nil
5.	Mr. Amal Ganguli	72	Director	Nil	Nil
6.	Ms. Robin Abrams	61	Director	Nil	Nil
7.	Mr. Sudhinder Krishan Khanna	59	Director	Nil	Nil
8.	Mr. Srikanth Madhav Datar	59	Director	Nil	Nil
9.	Mr. Sosale Shankara Sastry	56	Director	Nil	Nil

- 23) IDBI Trusteeship Services Limited is the Debenture Trustee of Secured Redeemable Non-Convertible Debentures issued by HCLT/ Applicant Company – II. Debenture Trustees are not interested in the Scheme otherwise than as Secured Creditors in general.

- 24) After the Scheme becomes effective, HCLT/ Applicant Company - II shall issue shares to the shareholders of the HCLSS/ Applicant Company - I. Accordingly, the pre and post arrangement capital structure and shareholding pattern of the HCLT/ Applicant Company - II as was submitted to the BSE Limited and National Stock Exchange of India Limited, at the time of seeking their approval under clause 24 (f) of the Listing Agreement is as under:

a) Capital Structure:

Particulars	Pre-Arrangement (Rupees) *	Post Arrangement (Rupees)*
Authorised share capital	Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) consisting of 75,00,00,000 (Seventy Five Crore) equity shares of Rs. 2/- (Rupees Two) each.	Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) consisting of 75,00,00,000 (Seventy Five Crore) equity shares of Rs. 2/- (Rupees Two) each.
Issued share capital	Rs. 138,46,77,064/- (Rupees One Hundred and Thirty Eight Crores Forty Six Lacs Seventy Seven Thousand and Sixty Four only) consisting of 69,23,38,532 (Sixty Nine Crores Twenty Three Lakhs Thirty Eight Thousand Five Hundred and Thirty Two) equity shares of Rs. 2/- (Rupees Two) each.	Rs. 138,46,97,314/- (Rupees One Hundred and Thirty Eight Crore Forty Six Lacs Ninety Seven Thousand Three Hundred and Fourteen only) consisting of 69,23,48,657 (Sixty Nine Crores Twenty Three Lakhs Forty Eight Thousand Six Hundred and Fifty Seven only) equity shares of Rs. 2/- (Rupees Two) each
Paid up share capital	Rs. 138,46,77,064/- (Rupees One Hundred and Thirty Eight Crores Forty Six Lacs Seventy Seven Thousand and Sixty Four only) consisting of 69,23,38,532 (Sixty Nine Crores Twenty Three Lakhs Thirty Eight Thousand Five Hundred and Thirty Two) equity shares of Rs. 2/- (Rupees Two) each.	Rs. 138,46,97,314/- (Rupees One Hundred and Thirty Eight Crore Forty Six Lacs Ninety Seven Thousand Three Hundred and Fourteen only) consisting of 69,23,48,657 (Sixty Nine Crores Twenty Three Lakhs Forty Eight Thousand Six Hundred and Fifty Seven only) equity shares of Rs. 2/- (Rupees Two) each

b) Shareholding Pattern: *

Category	Number of shares held Pre-arrangement	Voting Strength (%) Pre- arrangement	Number of shares held Post-arrangement	Voting Strength (%) Post-Arrangement
Promoters and Promoters Group	44,15,23,054	63.77%	44,15,23,054	63.77%
Mutual Funds/ UTI	3,12,14,220	4.51%	3,12,14,220	4.51%
Financial Institutions/ Banks	94,535	0.01%	94,535	0.01%
Insurance Companies	2,68,41,259	3.88%	2,68,41,259	3.88%
Foreign Institutional Investors	13,44,30,237	19.43%	13,44,30,237	19.43%
Foreign Banks	1,244	0.00%	1,244	0.00%
Bodies Corporate	2,16,30,030	3.12%	2,16,30,030	3.12%
Individuals	2,37,43,137	3.43%	2,37,53,262	3.43%
NRIs / OCBs	26,81,624	0.39%	26,81,624	0.39%
Foreign Nationals	87,662	0.01%	87,662	0.01%
Trusts	2,16,599	0.03%	2,16,599	0.03%
Foreign Corporate Body	88,15,800	1.27%	88,15,800	1.27%
HUF	1,61,860	0.02%	1,61,860	0.02%
Clearing Members	8,97,271	0.13%	8,97,271	0.13%
Grand Total	69,23,38,532	100.00%	69,23,48,657	100.00%

* Appointed date of the Scheme is 1st April, 2012. Post Scheme of Arrangement, the issued and paid-up share capital of HCLT/Applicant Company II will change to the tune of the shares issued under ESOP Scheme of HCLT/Applicant Company II.

- 25) The Applicant Companies having their registered office situated in New Delhi and therefore, have filed an application for convening and dispensing with the meetings of the equity shareholders, secured and unsecured creditors with the Hon'ble High Court of Delhi at New Delhi.
- 26) Copies of the following documents will be open for inspection at the registered offices of the Applicant Companies on any working day prior to the date of meeting, between 11.00 A.M. to 1.00 P.M:

- (a) Order dated December 7, 2012, of the Hon'ble High Court of Delhi, directing the convening of the meetings of the Secured Creditors of HCLSS/ Applicant Company - I and Equity shareholders and Secured Creditors of HCLT/ Applicant Company - II.
- (b) Scheme of Arrangement
- (c) Copy of the Valuation Report issued by Vaish & Associates, Chartered Accountants.
- (d) Copy of the Fairness Opinion issued by KARVY Investor Services Limited.
- (e) Memorandum and Articles of Association of both the Applicant Companies.
- (f) The latest Audited Financial Statements as on 30th June, 2012.
- (g) **"No Objection"** letter No.DCS/AMAL/SI/24(f)/368/2012-13, dated October 31, 2012, and letter No. NSE/LIST/184763-D dated October 25, 2012, issued in respect of the Scheme by the BSE Limited and the National Stock Exchange of India Limited respectively, to HCLT/ Applicant Company - II.
- (h) Auditor's certificate (M/s S.R Batliboi & Co.) certifying that the accounting treatment proposed in the scheme is not in violation of the accounting standard prescribed under section 211 of the Companies Act, 1956.

A copy of the Scheme, explanatory statement under section 393 of the Companies Act, 1956 and form of proxy may be obtained from the registered office of the Applicant Companies and/ or at the office of the Advocates, Vaish Associates, Advocates, 1st Floor, Mohan Dev Building, 13 Tolstoy Marg, New Delhi - 110001.

Dated this 17th day of December, 2012
Place: New Delhi

Sd/-
Authorized Signatory

Advocate for the Applicant Companies

Mr. Satwinder Singh / Mr. N.P.S. Chawla/ Ms. Simran Sethi
Vaish Associates, Advocates
1st Floor, Mohan Dev Building,
13 Tolstoy Marg
New Delhi-110001
Phone no. (011) 42492525

Registered Office of the Applicant Companies: 806, Siddharth, 96, Nehru Place, New Delhi – 110019 in the State of Delhi

**SCHEME OF ARRANGEMENT
BETWEEN
HCL TECHNOLOGIES LIMITED
HCL COMNET SYSTEMS & SERVICES LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

- A. This composite scheme of arrangement (hereinafter referred to as the "**Scheme**") provides for:
- a) the demerger of Demerged Undertaking (as defined hereinafter) of **HCL Comnet Systems & Services Limited to HCL Technologies Limited;**
 - b) reorganization of equity share capital of **HCL Comnet Systems & Services Limited;**
- pursuant to sections 391 to 394 read with sections 100 to 103 and other relevant provisions of the Companies Act, 1956 in the manner provided for in the Scheme.
- B. The Scheme is divided into the following parts:
- a) Part I deals with the Definitions and Share Capital;
 - b) Part II deals with the demerger of Demerged Undertaking (as defined hereinafter) of HCL Comnet Systems & Services Limited to HCL Technologies Limited;
 - c) Part III deals with reorganization of the equity share capital of HCL Comnet Systems & Services Limited;
 - d) Part IV deals with the residual business of HCL Comnet Systems & Services Limited;
 - e) Part V deals with the general terms and conditions that would be applicable to the Scheme
- C. The Scheme also provides for various other matters consequential or otherwise integrally connected therewith.

PART- I

DEFINITIONS & SHARE CAPITAL

1) **DEFINITIONS:**

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

- i. "**Act**" means the Companies Act, 1956 (Act No. 1 of 1956) or any statutory modification or re-enactment thereof.
- ii. "**Appointed Date**" means 1st April, 2012 or such other date as the Board of HCLT and HCLSS deem fit and proper in the interest of all the companies.
- iii. "**Board**" means the board of directors of HCLT and HCLSS as the context may require, and shall, unless it is repugnant to the context or otherwise, includes a committee of directors or any person authorized by the board of directors or such committee of directors.
- iv. "**Demerger**" means vesting of the Demerged Undertaking of HCLSS, on a going concern basis, into HCLT and the consequent issue of equity shares by the HCLT in terms of para 14 (a), of the Scheme to the shareholders of the HCLSS.
- v. "**Demerged Undertaking**" means the IT Enabled Services Division of HCLSS comprising of data centre management services, end user computing services, managed security services, networking services, tools and process consulting services, which would be transferred on a going concern basis to the HCLT on and from the Appointed Date. The Demerged Undertaking shall mean and include (without limitation):
 - a) all properties and assets, movable tangible and intangible, real and personal, corporeal and incorporeal, in possession or in reversion, present and future, contingent or of whatsoever nature, where-so-ever situated, as on the Appointed Date including but not limited to, building, electric Installation, generator, refrigerator, intercom, turbine, photocopy machine, computers, software, capital, work in progress, vehicles, office equipments, telephones, facsimile, other communication facilities and equipment, electricity and other such connections, air conditioner(s), furniture, fixture and fittings, stock in hand, sundry debtors, inventories, cash and bank balances, unbilled revenue, deferred cost, balance with government authorities, capital work in progress, fixed deposits, stores and spares, bills of exchange, receivable(s), loans and advances including interest receivable, deferred tax assets etc., if any, pertaining to Demerged Undertaking;
 - b) all leases or parts thereof, tenancy rights and agency, if any, pertaining to the Demerged Undertaking and all other interests or rights in or arising out of or relating to such properties together with all rights, powers, interests, charges, privileges, benefits, entitlements, industrial and other licenses (and/or conditions attached thereto), registrations including but not limited to registration(s) permission(s) issued by Software Technology Parks of India, Ministry of Communications & Information Technology, Government of India,

other registrations under respective states, quotas, trademarks, patents, copyrights, brand names, import quotas, liberties, easements, advantages, rights and benefits of all agreements, allotments held by the HCLSS or applied after the Appointed Date and pertaining to Demerged Undertaking as on Appointed Date of whatsoever kind, nature or description held, applied for or may be obtained thereafter together with the benefit of all contracts and engagements and all books, papers, documents and records, related to the Demerged Undertaking and all rights, obligations, benefits available under any rules, regulations, statutes including but not limited to direct and indirect taxes and particularly sales tax benefits/ exemptions, service tax credit, minimum alternate tax credit, Income tax exemptions etc;

- c) all investments including investments in HCL Comnet Limited and HCL EAS Limited, loans and advances, including accrued interest thereon and loans to employees, of HCLSS pertaining to the Demerged Undertaking;
- d) all debts, liabilities, loans, deposits, credit balance in the profit and loss account of the Demerged Company relating to the Demerged Undertaking, obligations, provisions including provision for gratuity and provision for leave encashment, financial lease obligation, present and future, secured or unsecured, contingent or of whatsoever nature, sundry creditors, book overdraft, unearned revenue and other liabilities pertaining to Demerged Undertaking;
- e) all employees engaged in relation to Demerged Undertaking and required in the opinion of management of HCLSS for the Demerged Undertaking at the branches and other offices etc;
- f) all security deposits, prepaid expenses, earnest monies, payment against warrants or other entitlements, if any, in connection with or pertaining to Demerged Undertaking.

It is intended that all assets, liabilities and properties, together with all rights, powers, interests, charges, privileges, benefits, entitlements including but not limited to benefit of credit available in respect of minimum alternate tax paid, service tax paid or carry forward losses, if any, relating to Demerged Undertaking be vested in HCLT pursuant to this Scheme.

- vi. **“Effective Date”** means the date on which the certified copy of the order of the High Court approving the Scheme is filed with the Registrar as required under the provisions of the Act.

References in this Scheme to the date of “coming into effect of this Scheme” or “effectiveness of the Scheme” shall mean the Effective Date.

- vii. **“High Court”** means the High Court of Delhi at New Delhi or National Company Law Tribunal or any other relevant authority empowered to approve the Scheme.
- viii. **“HCLSS/ Demerged Company”** means HCL Comnet Systems & Services Limited, a company incorporated under the Act and having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi – 110019.
- ix. **“HCLT/ Resulting Company”** means HCL Technologies Limited, a company incorporated under the Act and having its registered office at 806, Siddharth, 96, Nehru Place, New Delhi – 110019.
- x. **“Record Date”** means the date to be fixed by the Board of HCLT in consultation with HCLSS, with reference to which the eligibility of the shareholders of HCLSS for the purposes of issue and allotment of equity shares of HCLT in terms of the Scheme shall be determined;
- xi. **“Residual Business”** means all the business activities and undertakings of HCLSS including but not limited to the telecom business carried on by HCLSS other than those pertaining to that of the Demerged Undertaking on or after the Scheme becoming effective.
- xii. **“ROC” or “Registrar”** means Registrar of Companies, NCT of Delhi and Haryana.
- xiii. **“Reorganization Record Date”** means the date, after giving effect to the Demerger and the reduction in face value of each equity share of the Demerged Company as provided in clause 16 in the books of HCLSS, to be fixed by the Board of HCLSS, with reference to which the eligibility of equity shareholders of HCLSS, for the purpose of issue and allotment of Second New Equity Shares (as defined hereinafter) of HCLSS, in terms of part III of the Scheme, shall be determined.
- xiv. **“Scheme”** means this scheme of arrangement in its present form with any amendment/modifications approved or imposed or directed by the Board and/or shareholders and/or creditors and/or by High Court.
- xv. **“Stock Exchanges(s)”** shall mean and include Bombay Stock Exchange and/or National Stock Exchange.

- 1.2 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, as the case may be including any statutory amendments thereto or re-enactment thereof.

2) **SHARE CAPITAL**

- 2.1. The authorized, issued, subscribed and paid up share capital of the Demerged Company and Resulting Company as on March 31st, 2012 is as under:

Name of the Company	Authorised Capital	Issued, subscribed and paid up capital
HCLSS ("Demerged Company")	Rs. 20,00,00,000/- (Rupees Twenty Crores only) consisting of 2,00,00,000 (Two Crore) equity shares of Rs. 10/- (Rupees Ten) each. Rs. 55,00,00,000/- (Rupees Fifty Five Crores only) consisting of 55,00,00,000 (Fifty Five Crores) 1 % Cumulative Redeemable Preference shares of Re. 1/- (Rupee One) each.	Rs. 12,80,93,690/- (Rupees Twelve Crore Eighty Lakhs Ninety Three Thousand Six Hundred and Ninety only) consisting of 128,09,369 (One Crore Twenty Eight Lakhs Nine Thousand Three Hundred and Sixty Nine) equity shares of Rs. 10/- (Rupees Ten) each.
HCLT ("Resulting Company")	Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) consisting of 75,00,00,000 (Seventy Five Crore) equity shares of Rs. 2/- (Rupees Two) each	Rs. 138,46,77,064/- (Rupees One Hundred and Thirty Eight Crores Forty Six Lakhs Seventy Seven Thousand and Sixty Four only) consisting of 69,23,38,532 (Sixty Nine Crores Twenty Three Lakhs Thirty Eight Thousand Five Hundred and Thirty Two) equity shares of Rs. 2/- (Rupees Two) each

- 2.2 It is provided that till the Scheme becomes effective, Demerged Company and Resulting Company are free to alter their authorized, issued, subscribed or paid up share capital as required by respective business requirements, subject to compliance with the applicable law, rules and regulations.

PART II
DEMERGER OF DEMERGED UNDERTAKING OF HCLSS TO HCLT

3)

- a) Upon the Scheme coming into effect and with effect from the Appointed Date, all the properties and interests of Demerged Company in Demerged Undertaking (including but not restricted to its assets, liabilities, rights, licenses, contracts, agreements, benefits, obligations, profits or losses properties together with all rights, powers, interests, charges, privileges, benefits, entitlements including but not limited to benefit of credit available in respect of minimum alternate tax paid, service tax paid or carry forward losses, if any, pertaining to the Demerged Undertaking etc.) shall subject to the manner as prescribed in clause 3(b) and 3(c), hereinafter, be transferred to and vested in or be deemed to have been transferred to and vested in Resulting Company on a "going concern" basis, subject to existing charges, hypothecation, mortgages, liens, encumbrances, if any, created/existing in favour of banks and/or financial institutions and/or other lenders.
- b) In respect of such of the assets of the Demerged Undertaking as are movable in nature, or incorporeal property, which are being capable of being transferred by delivery and acknowledgement of possession thereon the same shall upon the Scheme becoming effective, be transferred to and vested in the Resulting Company as such without requiring any specific deed or instrument of conveyance and shall upon such transfer become the property and an integral part of the Resulting Company.
- c) In respect of such of the assets of Demerged Undertaking other than those referred to in clause (b) above, the same shall, without any further act, instrument or deed, be transferred and vested in and/or be deemed to be transferred to and vested in Resulting Company upon the Scheme becoming effective pursuant to an order being made thereof under Section 394 of the Act and the same shall be mutated by the concerned authorities in favour of Resulting Company.
- d) Upon coming into effect of the Scheme, all assets, rights, title, interest and authorities acquired by the Demerged Company for operation of Demerged Undertaking after the Appointed Date and prior to the Effective Date, shall be considered to be acquired for and on behalf of the Resulting Company and the same shall, pursuant to the Scheme becoming effective, be transferred to and vested in the Resulting Company.

4)

- a) Upon the Scheme coming into effect and with effect from the Appointed Date, any statutory licenses, permissions, approvals, sanctions, consents, concessions, benefits or exemptions, including but not limited to permissions or approvals, if any, and/or the permissions/licenses issued by State Government(s) under various enactments and exemptions with respect to sales tax and income tax, if any, relating to Demerged Undertaking, which the Demerged Company is or would be entitled to shall stand vested in or transferred to Resulting Company without further act or deed, and shall be appropriately mutated/transferred by the concerned authorities in favour of Resulting Company upon the vesting and transfer of Demerged Undertaking of Demerged Company, pursuant to this Scheme. The benefit of all such statutory and regulatory permissions, licenses, environmental approvals and consents including the statutory licenses, permissions, approvals, sanctions or consents, and entitlements, incentives, exemptions relating to Demerged Undertaking shall vest in and become available to Resulting Company pursuant to the Scheme. Any no-objection certificates, licences, permissions, consents, approvals, sanctions, authorizations, registrations (including but not limited to registration(s) permission(s) issued by Software Technology Parks of India, Ministry of Communications & Information Technology, Government of India), statutory rights or exemptions as are held by the Demerged Company including the statutory licences, permissions or approvals or consents or exemptions relating directly or indirectly to the Demerged Undertaking shall be deemed to constitute separate licences, permissions, no-objection certificates, consents, approvals, sanctions, authorizations, registrations, statutory rights or exemptions, and the relevant or concerned statutory authorities and licensors shall endorse and/or mutate or record the separation, upon the filing of the Scheme as sanctioned with such authorities and licensors after the Scheme becomes effective, so as to facilitate the continuation of operation in the Resulting Company and the Demerged Company without hindrance from the Appointed Date.

- b) Without prejudice to generality of the aforesaid, any concessional/statutory forms, refunds, rebate under the respective Central/State tax laws issued/received by the Demerged Undertaking of the Demerged Company in respect of period commencing from the Appointed Date shall be deemed to be issued/received in the name of the Resulting Company and benefit of such forms shall be allowable to the Resulting Company in the same manner and to the same extent as available to the Demerged Undertaking of the Demerged Company.
- 5)
- a) All debts, liabilities, credit balance in the profit and loss account of the Demerged Company relating to the Demerged Undertaking and other obligations of the Demerged Company relating to the Demerged Undertaking including but not limited to the contingent liability, financial lease obligations, provisions including provision for gratuity and provide for leave encashment pertaining to the Demerged Undertaking, general loans and borrowings of the Demerged Company, if any, as on the close of business on the day immediately preceding the Appointed Date, whether provided for or not in the books of account of the Demerged Company and other liabilities relating to the Demerged Undertaking which may accrue or arise on or after the Appointed Date, but which relate to the period upto the day immediately preceding the Appointed Date, (hereinafter referred to as the **"Demerged Undertaking Liabilities"**) shall become the debts, liabilities, duties and obligations of the Resulting Company, upon the Scheme becoming effective, who shall undertake to meet, discharge and satisfy the same to the exclusion of the Demerged Company.
- b) If any of the liabilities and obligations of the Demerged Undertaking as on the Appointed Date deemed to be transferred to the Resulting Company have been discharged by the Demerged Company after the Appointed Date and prior to the Demerger Effective Date, such discharge shall be deemed to have been taken for and on account of the Resulting Company and all loans raised and used and all liabilities and obligations incurred by the Demerged Company for the operations of the Demerged Undertaking after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent they are outstanding on the Effective Date shall also without any further act or deed be and stand transferred to the Resulting Company and shall become liabilities of Resulting Company which shall meet, discharge and satisfy the same. Such liabilities shall also form part of the Demerged Undertaking Liabilities as defined hereinabove.
- c) In so far as the existing security in respect of the Demerged Undertaking Liabilities is concerned, such security unless otherwise agreed to be modified/amended by the relevant secured lender, shall continue to extend to and operate over the assets comprised in the Residual Business and the assets comprised in the Demerged Undertaking, which have been charged and secured in respect of the Demerged Undertaking Liabilities as transferred to the Resulting Company pursuant to this Scheme. Provided, however, that if any of the assets comprised in the Demerged Undertaking which have not been charged or secured in respect of the Demerged Undertaking Liabilities, such assets shall be transferred to the Resulting Company as unencumbered assets and in the absence of any formal amendment, which may be required by a lender or third party shall not affect the operation of the above and, this Scheme shall not operate so as to require any charge or security to be created on such assets or on any of the assets presently exists in the Resulting Company and are not subject to any change in relation to Demerged Undertaking Liabilities.
- d) Without prejudice to the provisions of the foregoing clauses and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company may execute any instruments or documents or do any of the acts and deeds as may be required or as agreed upon by the Board of the Demerged Company and/or the Resulting Company with the relevant secured creditor(s), including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies, NCT of Delhi & Haryana to give formal effect to the provisions with regard to securitization of the Demerged Undertaking Liabilities.
- e) Upon the coming into effect of the Scheme, the Resulting Company alone shall be liable to perform all obligations in respect of the Demerged Undertaking Liabilities, and the Demerged Company shall not have any obligations in respect of the Demerged Undertaking Liabilities and the Resulting Company shall indemnify the Demerged Company in this behalf.
- f) It is expressly provided that, save as mentioned in this para, no other terms or conditions of the Demerged Undertaking Liabilities are modified by virtue of this Scheme except to the extent that such amendment is required in order to implement this Scheme.
- g) Subject to the necessary consents being obtained, if required, in accordance with the terms of this Scheme, the provisions of this para shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document; all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.
- 6) All legal or other proceedings by or against the Demerged Company, whether pending on the Appointed Date or any matter arising before the Appointed Date, and relating to the Demerged Undertaking, shall be continued and enforced by or against the Resulting Company. If any proceedings relating to Demerged Undertaking are instituted against the Transferor Company before the Effective Date, the Demerged Company will defend the same with due notice to the Resulting Company for indemnification from and against all liabilities, obligations, actions, claims and demands in respect thereof. However, after the Effective Date, the parties hereto shall take appropriate steps to substitute the name of the Resulting Company for that of Demerged Company in respect of such proceedings.
- 7) With effect from the Appointed Date and upto the Effective Date:-
- a) The Demerged Company shall be deemed to have been carrying on all business and activities relating to the Demerged Undertaking and stand possessed of the properties to be transferred to Resulting Company for and on account of and in trust for Resulting Company.
- b) All income, receipts, profits of whatsoever nature accruing to the Demerged Company or losses, expenses and payments of whatsoever nature arising or incurred by it relating to the Demerged Undertaking shall for all purposes, be treated as profits, income, receipts, or losses, expenses, payments, as the case may be, of the Resulting Company
- 8) Tax Deducted at Source (TDS), if any, by the Resulting Company under the Income Tax Act, in respect of the payments made by the Resulting Company to the Demerged Company, on or after the Appointed Date, which pertain to the Demerged Undertaking, shall be treated as advance tax paid by the Resulting Company and accordingly, the Resulting Company shall be entitled to claim the credit for such TDS as advance tax paid, notwithstanding the fact that the challans or deposit receipts are towards TDS. The TDS certificate(s), if any, issued by the Resulting Company to the Demerged Company for such payments shall stand cancelled

without any further act or deed and no credit on such TDS certificates shall be made available to the Demerged Company on the Scheme becoming effective

9)

- a) It is specifically declared that the tax deducted at source (TDS) from the income of the Demerged Undertaking of the Demerged Company, in terms of the provisions of Chapter XVII of the Income Tax Act or any advance tax paid by the Demerged Company in respect of the Demerged Undertaking, for the period beginning from the Appointed Date and ending as on the Effective Date, shall be deemed to be tax paid by the Resulting Company and the Resulting Company shall be entitled to claim credit for such taxes deducted or paid, whether by way of TDS or advance tax, notwithstanding that certificates / challans or other documents for payment of such taxes are in the name of the Demerged Company and not in the name of the Resulting Company.
- b) Any tax payments made by the Demerged Company, which is not directly relatable to the Demerged Undertaking and Residual Business, shall be apportioned between the Demerged Company and the Resulting Company in proportion of the net assets, pertaining to Demerged Undertaking, being vested in the Resulting Company, and the Residual Business respectively or any other appropriate basis as the Board of the Demerged Company and the Resulting Company mutually in their discretion consider fit and proper.

10)

- a) Pursuant to this scheme, unless otherwise required under the provisions of any tax laws, the Resulting Company shall not be required to revise any tax returns filed by it prior to the Appointed Date. Nothing shall, however, preclude the Resulting Company from filing or revising its tax returns, tax deduction at source certificates, tax deduction at source returns and other statutory returns, for the period on or after the Appointed Date.
- b) The Resulting Company and the Demerged Company shall, after the Scheme becomes effective, be entitled to revise the income tax returns, if any, filed by Demerged Company or the Resulting Company in respect of the period from 1st April, 2012 till ending 31st March, 2013 or thereafter, notwithstanding that the time prescribed under the provisions of the Income tax Act for filing of the revised income tax return has elapsed, in the event this Scheme is sanctioned by the Hon'ble High Court after the expiry of the due date of filing of the revised returns for the relevant assessment year(s).

11) The demerger of the Demerged Undertaking as a going concern to the Resulting Company is in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961 and all the conditions provided therein are complied with.

12)

- a) The Resulting Company undertakes to engage, on and from the Effective Date, all employees exclusively engaged in relation to the Demerged Undertaking, on the same terms and conditions at which these employees are engaged by the Demerged Company without any interruption of service as a result of the transfer. The Resulting Company also undertakes to accept and abide by any change in terms and conditions that may be agreed / effected by the Demerged Company with all such employees between the Appointed Date and Effective Date.
- b) The Resulting Company undertakes to continue to abide by any agreements / settlements entered into by the Demerged Company in respect of Demerged Undertaking with any union/ representatives of the employees of the Demerged Company. The Resulting Company agrees that the service of all such employees with the Demerged Company upto the Effective Date shall be taken into account for the purpose of all retirement benefits to which they may be eligible in the Transferor Company upto the Effective Date. The Resulting Company further agrees that for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits, such past service with the Transferor Company, shall also be taken into account and agrees and undertakes to pay the same as and when payable.
- c) Upon the Demerger becoming effective, the accumulated balance, upto the Effective Date in respect of the employees engaged in the Demerged Undertaking, in the Provident Fund Trust/Fund, maintained by the Demerged Company for its employees, shall be transferred to the Trust/Fund set up/maintained by the Resulting Company for its employees subject to the required approval/intimation to the PF authorities, if any.
- d) In so far as the existing pension and /or superannuation fund / trusts and retirement funds or employees state insurance schemes or pension scheme or employee deposit linked insurance scheme or any other benefits created, if any, by the Demerged Company for its employees (including employees of the Demerged Undertaking) are concerned, such proportion of the investments made by the funds which is relatable to the employees pertaining to the Demerged Undertaking as on the Effective Date, who are being transferred along with the Demerged Undertaking in terms of the Scheme, shall upon Demerger becoming effective, shall be transferred to the necessary funds/schemes/ trusts to be created by the Resulting Company and till such time the necessary funds/schemes/ trusts are created by the Resulting Company contribution shall continue to be made to the existing funds/schemes of Demerged Company.
- e) Upon the Scheme becoming effective the provision for gratuity created, if any, in the books of accounts of the Demerged Company, in relation to the employees pertaining to Demerged Undertaking shall get transferred, as it is, in the books of Resulting Company.
- f) The Resulting Company will file the relevant intimations to the statutory authorities concerned who shall take the same on record and endorse the name of the Resulting Company for Demerged Company.

13)

- a) Subject to the other provisions contained in this Scheme, all contracts, deeds, bonds, agreements and other instruments of whatever nature, relating to the Demerged Undertaking to which Demerged Company is a party subsisting or having effect immediately before the Appointed Date shall remain in full force and effect against or in favour of Resulting Company and may be enforced as fully and effectively as if the Resulting Company instead of the Demerged Company, had been a party thereto.
- b) The Resulting Company shall, wherever necessary, enter into and/or issue and/or execute deeds, writings or confirmations, enter into any tripartite arrangements, confirmations or novations to which the Demerged Company will, if necessary, also be a party in order to give formal effect to the provisions of this para.

- c) It is clarified that even after the Effective Date, the Resulting Company shall be entitled to realize all monies and to complete and enforce all pending contracts and transactions in respect of the Demerged Undertaking, in the name of the Demerged Company in so far as may be necessary until the transfer of rights and obligations of the Demerged Company to the Resulting Company under this Scheme finally stands devolves on the parties concerned.

14) **Consideration:**

- a) Upon the Scheme becoming effective, in consideration of the transfer and vesting of the Demerged Undertaking, the members of the Demerged Company ("**Members**"), except the Resulting Company itself, shall be entitled for 227(Two hundred and twenty seven) fully paid up equity shares of Rs. 2/- each of the Resulting Company for every 100 (Hundred) fully paid equity shares of Rs. 10/- each held by the Members whose names appear in the Register of Members of the Demerged Company as on the Record Date. The Resulting Company shall allot Equity shares ("hereinafter referred to as "**New Equity Shares**") to the Members or such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Demerged Company. In case there are any fractional entitlements, these shall be consolidated (rounded off to the next whole number) and the same shall be allotted to the trustee who shall be appointed by the Board of the Resulting Company in terms of clause 14(c) mentioned herein below.
- b) The New Equity Shares as allotted above shall be credited to the respective demat account of the Members of the Demerged Company provided that the Member has an account with a depository participant and has provided the details thereof and such other confirmations as may be required. In the event any Member has not provided the requisite details relating to the demat account with a depository participant or such other confirmations as may be required by the Resulting Company, the Resulting Company shall, with respect to those Members, issue a physical certificate in respect of the New Equity Shares with a minimum lot of fifty shares each (a lot below fifty shares shall be treated as odd lot to be dealt with in accordance with the provisions as contained in clause 14(c) hereinafter). No share certificate shall be issued by the Resulting Company in respect of the odd lot and the same shall be consolidated and these shares shall be allotted and credited to the demat account of the trustee who shall be appointed by the Resulting Company in terms of clause 14(c) mentioned hereinbelow.
- c) The Board of the Resulting Company in its absolute discretion shall appoint any practising chartered accountant/ practising company secretary or such other person as the Board may deem fit as the trustee for the fractional shares and the odd lots and thereupon allot/credit the shares to the demat account of the said trustee as per clause 14(a) and 14(b) respectively with the express undertaking that such trustee to whom such shares have been credited, shall separately sell the same at the best available price in one or more lots (the decision of the trustee shall be taken as final as regards price and method of sale of such shares is concerned) and deposit the proceeds in separate bank accounts, one for fractional entitlement and other for odd lots and pay the net proceeds thereof from the aforesaid bank accounts to the members of the Demerged Company in proportion to their fractional entitlements and odd lot entitlements respectively. The Board of the Resulting Company in consultation with the trustee shall fix remuneration for the trustee and remuneration so paid shall be borne by the Company and not to be accounted for while determining the net proceeds payable to the members in proportion to their fractional or odd lot entitlements.
- d) Reduction and consolidation of the Equity Shares of the Company into New Equity Shares and amendments in the Memorandum and Articles of Association of the Company pursuant to this Scheme shall also be deemed to be in compliance with the provisions of sections 17, 31, 94, 95, 100 to 103 and other applicable provisions of the Act and rules and regulations made there under upon the Scheme becoming effective.
- e) The Transferee Company shall not be required to use the words "and reduced" as part of its corporate name and such use is dispensed with.
- f) The New Equity Shares to be issued in terms hereof shall be subject to the Memorandum and Articles of Association of the Resulting Company.
- g) The New Equity Shares of the Resulting Company to be issued and allotted in lieu of the equity shares of the Demerged Company shall rank, for dividend, voting rights and for all other benefits and in all other respects, pari passu with the existing equity shares of the Resulting Company with effect from the date of allotment of New Equity Shares.
- h) All the New Equity Shares so issued and allotted by the Resulting Company shall be listed and/or admitted to trading on the Stock Exchange(s). The Stock Exchanges shall list the said New Equity Shares, the issuance of which shall be considered as due compliance of the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, to the extent applicable and other applicable provisions of law. The Resulting Company will enter into such arrangements and give such confirmations and/or undertakings and/or file such necessary applications, as may be necessary in accordance with applicable laws or regulations for complying with formalities of the said Stock Exchanges/Securities Exchange Board of India, if required.
- i) The issue and allotment of New Equity Shares to Members of the Demerged Company, as provided in this Scheme, shall be deemed to be made in compliance with the procedure laid down under section 81(1A) and any other applicable provisions of the Act.

15) **Accounting Treatment:**

(i) **In the books of Demerged Company**

- a) The demerger of the Demerged Undertaking as a going concern to the Resulting Company is in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961 and all the conditions provided therein are complied with.
- b) An amount lying under "Profit and Loss Account" of the Demerged Company, relating to the Demerged Undertaking, shall be transferred to Resulting Company.
- c) Upon the Scheme becoming effective, the amount of difference between the aggregate value of assets over the aggregate value of liabilities of the Demerged Undertaking and the credit balance of the profit and loss account relating to the Demerged

Undertaking, as transferred by the Demerged Company to the Resulting Company, shall be first adjusted against the issued, subscribed and paid up share capital of the Demerged Company by reducing the face value and paid up value per share of the Demerged Company from Rs.10 per share to Re.1 per share and the balance, if any, shall be adjusted against the capital redemption reserve of the Demerged Company. The remaining deficit, if any, in the books of the Resulting Company shall be first adjusted against the securities premium account and balance against profit and loss account of the Demerged Company.

- d) Reduction of paid up value per share of the Demerged Company and the balance in the capital redemption reserve and securities premium account, in terms of provisions of clause 15(i)(b) herein above, shall be effected as a part of this Scheme itself and not under a separate process in terms of sections 100 to 103 of the Act and order of the High Court sanctioning the Scheme shall be deemed to be a due compliance of the provisions of sections 78, 94, 95, 100, 102 & 103 and any other applicable provisions of the Act and rules and regulations made there under. Consequently, the Demerged Company shall not be required to use the words "and reduced" as part of its corporate name.

(ii) In the books of Resulting Company

- a) Upon the Scheme becoming effective, all the assets and liabilities, the credit balance of the profit and loss account, relating to the Demerged Undertaking, of the Demerged Company, shall be transferred and vested in the Resulting Company at the values appearing in the books of the Demerged Company at close of business of the day immediately preceding the Appointed Date;
- b) The Resulting Company shall also credit to its share capital account, the aggregate face value of the new equity shares issued and allotted by it to the Members of the Demerged Company pursuant to clause 14 of this Scheme.
- c) In case of any differences in the accounting policy between Demerged Company and Resulting Company, the impact of the same till demerger shall be quantified and adjusted in the reserves and surplus of Resulting Company to ensure that the financial statement of Resulting Company reflects the financial position on the basis of consistent accounting policy.
- d) Upon the Scheme becoming effective, the excess/deficit, if any, of the net assets, i.e. aggregate value of the assets over the aggregate value of the liabilities of Demerged Undertaking recorded by the Resulting Company upon their transfer to and vesting in the Resulting Company under the Scheme over the aggregate value of the equity shares issued and allotted in terms of para 14 by the Resulting Company, shall be first adjusted against diminution in the value of the investments, if any, made by the Resulting Company in the Demerged Company consequent to such demerger, based upon the fair value of shares of the Demerged Company as arrived at by a firm of independent chartered accountants. The excess or deficit remaining after recording the aforesaid entries shall be credited to its capital reserves or debited to the general reserve, as the case may be which shall be forming part of the net worth of the Resulting Company for all purposes.
- e) Upon scheme becoming effective, the shares held by the Resulting Company in the demerged company shall be revalued at a price as determined by an independent valuer in terms of clause 20 of the Scheme and any loss on such revaluation shall be debited to the reserve as created in clause (d) above.

PART – III

REORGANISATION OF EQUITY SHARE CAPITAL OF HCLSS

- 16) Upon the Scheme becoming effective and after reducing the face value and paid up value per share of HCLSS from Rs.10/- to Re.1/- in terms of clause 15 i (b), such reduced face value / nominal value per equity share of HCLSS shall, without any further act or deed, stand altered by consolidating the equity shares of Re. 1/- (Rupee 1) each into 1 (one) equity share of Rs. 10,000/- (Rupees Ten Thousand) each ("**Second New Equity Shares**").
- 17) Pursuant to clause 16, the words and figures in Clause V of the Memorandum of Association of HCLSS shall be substituted to read as follows:

"The authorized share capital of the company is Rs.20,00,00,000/- (Rupees Twenty Crores only) divided into 20,000 (Twenty Thousand) Equity Share of Rs.10,000/- (Rupees Ten thousand) each and Rs.55,00,00,000/- (Rupees Fifty Five Crores only) consisting of 55,00,00,000 (Fifty Five Crores) 1 % Cumulative Redeemable Preference shares of Re.1/- (Rupee One) each."

Accordingly Article 3 of the Articles of Association of the Company shall, upon the Scheme coming into effect and without any further act or deed, stand replaced by the following clause:

"The authorized share capital of the company is Rs.20,00,00,000/- (Rupees Twenty Crores only) divided into 20,000 (Twenty Thousand) Equity Share of Rs.10,000/- (Rupees Ten thousand) each and Rs.55,00,00,000/- (Rupees Fifty Five Crores only) consisting of 55,00,00,000 (Fifty Five Crores) 1 % Cumulative Redeemable Preference shares of Re.1/- (Rupee One) each"
- 18) Pursuant to giving effect to the reorganization of equity shares, HCLSS shall file the amended copy of its Memorandum and Articles of Association with the Registrar of Companies, within 30 days from the date the Scheme becomes effective, who will register the same. The approval of this Scheme by the Shareholders of HCLSS under section 391 and 394 of the Act shall be deemed to have the approval under sections 16, 31, 94, 95 and other applicable provisions of the Act and any other consents and approvals required in this regard.
- 19) The Second New Equity Shares shall be allotted to the members of the HCLSS whose names appear in the Register of Members and are entitled in terms of clause 16 herein above on the Reorganization Record Date.
- 20) HCLSS, in respect of the fractional entitlement, shall issue no fractional Second New Equity Shares on consolidation of the equity shares in terms of paragraph 16 mentioned herein above. The member of HCLSS entitled to such fractional entitlement shall be

proportionately paid by way of cheque/draft by HCLSS at a minimum price as may be determined by an independent valuer. Such fractional equity shares shall automatically stand cancelled and extinguished upon payment thereof by HCLSS without any further act or deed by the member of HCLSS. Any payment made to the members entitled to such fractional entitlement over and above the face value of the fractional equity shares so cancelled shall be adjusted against the profit and loss account of HCLSS.

- 21) Upon the Scheme becoming effective, if on account of reorganization of equity share capital of HCLSS, the number of members of HCLSS falls below seven, i.e. the minimum number of members required in a public company, HCLT, in terms of section 187C of the Act, undertakes to declare the nominee(s) or representative(s) who shall hold the New Equity Shares for and on behalf of HCLT.
- 22) Consolidation of the equity shares of HCLSS into Second New Equity Shares and cancellation of fractional entitlement in terms of the provisions of paragraph 16 and 19, respectively, above shall also be deemed to be in compliance of the provisions of sections 94, 95, 100 to 103 and other applicable provisions of the Act and rules and regulations made there under upon the Scheme becoming effective. Consequently, HCLSS shall not be required to use the words "and reduced" as part of its corporate name.

PART-IV

RESIDUAL BUSINESS OF THE DEMERGED COMPANY

- 23)
 - a) The Residual Business and all the assets (including but not limited to the immovable property owned by HCLSS at Bandra Kurla Notified Area, Tehsil Andheri, Greater Bombay), liabilities and obligations pertaining thereto shall continue to belong and remain vested in and be managed by the Demerged Company.
 - b) All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case relating to the Residual Business (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Residual Business) shall be continued and enforced by or against the Demerged Company, which shall keep the Resulting Company fully indemnified in that behalf. The Resulting Company shall in no event be responsible or liable in relation to any such legal or other proceeding against the Demerged Company.
 - c) If proceedings are taken against the Resulting Company in respect of the matters referred to in clause (a) above, the Resulting Company shall defend the same in accordance with the advice of the Demerged Company and at the cost of the Demerged Company, and the latter shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by the Resulting Company in respect thereof.

PART-IV

OTHER TERMS & CONDITIONS

- 24)
 - a) With effect from the date of filing of this Scheme with the High Court and upto and including the Effective Date, HCLT and HCLSS shall be entitled to declare and pay dividends, whether interim or final, to their respective shareholders in respect of the accounting period after the Appointed Date and prior to the Effective Date.
 - b) Until the coming into effect of this Scheme, the shareholders of the HCLT and HCLSS, save as expressly provided otherwise in this Scheme; continue to enjoy their existing rights under their respective articles of association including the right to receive dividends.
 - c) 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 any of the HCLT and HCLSS to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the respective Boards of Directors of the HCLT and HCLSS and subject, wherever necessary, to the approval of the shareholders of the HCLT and HCLSS, respectively.
- 25) **Application to the Hon'ble High Court:**

HCLT and HCLSS shall with all reasonable make applications / petitions to the Hon'ble High Court under Sections 391 and 394 and other applicable provisions of the Act, for sanctioning the Scheme and for convening and/or seeking exemption to convene the meeting of the shareholders and/or of the creditors, and to obtain all other approvals as may be required under law.
- 26) **This Scheme is conditional upon and subject to:**
 - a) the consents by the requisite majority of the shareholders and creditors of HCLT and HCLSS to the Scheme, if required and the requisite orders of the Hon'ble High Court sanctioning the Scheme in exercise of the powers vested in it under the Act; and
 - b) the certified copy of the order of High Court under sec 394 of the Act being filed with the Registrar of Companies.

27) **Modifications/Amendments to the Scheme**

- a) HCLT and HCLSS by their respective Board of Directors may make or assent from time to time on behalf of all persons concerned to any extension, modification or amendments of this Scheme or any of conditions or limitation which the Hon'ble High Court and/or any authorities/persons may deem fit to approve of or impose or which may otherwise be considered necessary, desirable or appropriate by the Board of Directors of HCLT, and/or HCLSS to resolve all doubts or difficulties that may arise for carrying out the Scheme and to do and execute all acts, deeds, matters and things necessary for putting the Scheme into effect.
- b) For the purpose of giving effect to this Scheme or to any modification or amendments thereof, the Board of Directors of HCLT and HCLSS may give and are authorized to give all such directions as are necessary including directions for settling any question or doubt or difficulty that may arise.

28) There is no likelihood that any creditor of HCLT and HCLSS would lose or be prejudiced as a result of the proposed Scheme being passed. The arrangement will in no way cost any additional burden on the shareholders of any of these companies nor will it prejudicially affect the interests of any of the classes of the creditors.

29) If any part of this Scheme hereof is ruled illegal or invalid by, or is not sanctioned by the Hon'ble High Court, or is unenforceable under present or future laws, or which otherwise is considered unnecessary, undesirable or inappropriate at any stage by the Board of Directors, then it is the intention of the parties that such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the parties shall attempt to bring about a modification in the Scheme, as will best preserve for the parties the benefits and obligations of the Scheme, including but not limited to such part.

30) Approval of the Scheme under Section 391 & 394 of the Act shall also be deemed to be compliance of the provisions of sections 16, 31, 78, 81(1A), 94, 95, 100, 102 to 103 and other applicable provisions of the Act and rules and regulations made there under upon the Scheme becoming effective.

31) **Effect of non-receipt of approvals/sanctions:**

- a) In the event of any of the said sanctions and approvals not being obtained and/or the Scheme not being sanctioned by the Hon'ble High Court and/or the order not being passed as aforesaid on or before 31st December 2015 or within such further period or periods as may be agreed upon by and among HCLT and HCLSS, this Scheme shall stand revoked and cancelled and become null and void and be of no effect and in that event, no rights and liabilities whatsoever, shall accrue to or be incurred inter-se by HCLT and HCLSS or their shareholders or creditors or employees or any other person.
- b) In the event any of the conditions that may be imposed by the Hon'ble High Court and/or competent authority which HCLT and/or HCLSS may find unacceptable for any reason or Board of Directors of HCLT and/or HCLSS decides otherwise, then they are at liberty to withdraw from the Scheme.
- c) If any part of this Scheme is found to be unworkable for any reason whatsoever the same shall not, subject to the decision of HCLT and/or HCLSS affect the validity of or implementation of the other part and/or the provisions of this Scheme.

32) **Expenses Connected with the Scheme:**

HCLT shall bear all costs, charges and expenses in relation to or in connection with or incidental to this Scheme and of carrying out and completing the terms and provisions of the Scheme and/or incidental to the completion of the terms in pursuance of this Scheme.

For **HCL Technologies Limited**

Sd/-

(Authorized Signatory)

For **HCL Comnet Systems & Services Limited**

Sd/-

(Authorized Signatory)

Legal Counsel for the Scheme:

*Vaish Associates, Advocates,
1st Floor, Mohandev Building,
Tolstoy Marg, New Delhi-110001*

**IN THE HIGH COURT OF DELHI AT NEW DELHI
COMPANY JURISDICTION
COMPANY APPLICATION (M) NO. 187 / 2012**

In the matter of the Companies Act, 1956

And

In the matter of Sections 391 and 394 of the Companies Act, 1956

And

In the matter of Scheme of Arrangement

Between

HCL Comnet Systems & Services Limited

..... HCLSS/ Applicant Company- I

And

HCL Technologies Limited

..... HCLT/ Applicant Company- II

(Collectively referred to as the Applicant Companies)

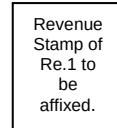
FORM OF PROXY

I/We, the undersigned, as the Secured Creditors of HCL Technologies Limited (HCLT/Applicant Company- II), do hereby appoint _____, of _____, and failing him/her _____ of _____ as my/our proxy, to act for me/us at the meeting of the Secured Creditors of HCL Technologies Limited (HCLT/Applicant Company- II), to be held on Saturday, the 19th January 2013 at 01.00 P.M. at FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi – 110 001, for the purpose of considering and, if thought fit, approving, with or without modification(s), the Scheme of Arrangement of HCL Comnet Systems & Services Limited (HCLSS/Applicant Company - I) and HCL Technologies Limited (HCLT/Applicant Company - II) and their respective shareholders and creditors at such meeting and any adjournment/ adjournments thereof, to vote, for me/us, and in my/our name _____ *(here, "if for", insert "**for**", "if against", insert "**against**") the said Scheme of Arrangement either with or without modification(s) as my/our Proxy may approve.

Dated this _____ day of _____ 20____

Name: _____

Address: _____



Signature: _____

* DPID _____: Client ID: _____

* Master Folio No.: _____

Note:

1. All alterations made in Form of Proxy should be initialed;
2. Please affix appropriate Revenue stamp before putting signature(s) and signatures should be done across the face of the revenue stamp;
3. The Proxy must be deposited at the registered office of HCL Technologies Limited (HCLT/Applicant Company- II) at 806, Siddharth, 96, Nehru Place, New Delhi – 110019 not later than FORTY EIGHT HOURS before the time fixed for holding the meeting.

*(Strike out what is not necessary)