MORARJEE TEXTILES LTD.

Regd. Office : Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013. Tel : 91-22-66154651-53 Fax : 91-22-66154593
Website: www.morarjeetextiles.com

COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS OF MORARJEE TEXTILES LIMITED	**CONTENTS**	**PAGE NO.**
Day : Monday Date : 19th March, 2012. Time : 3.00 p.m. Venue : M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai - 400 001.	Notice of Court Convened Meeting of the Equity Shareholders of Morarjee Textiles Limited	2-3
	Explanatory Statement under Section 393 of the Companies Act, 1956	4-11
	Composite Scheme of Arrangement and Amalgamation under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 between Morarjee Textiles Limited and Five Star Mercantile Limited and Morarjee Holdings Private Limited and their respective shareholders	12-27
	Form of Proxy	28
	Attendance Slip	29
EXTRA ORDINARY GENERAL MEETING OF THE MEMBERS OF MORARJEE TEXTILES LIMITED	**CONTENTS**	**PAGE NO.**
Day : Monday Date : 19th March, 2012. Time : 3.30 p.m or immediately after the conclusion of the Court Convened Meeting of the Equity Shareholders, whichever is later. Venue : M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai - 400 001.	Notice of Extra Ordinary General Meeting of the Members of Morarjee Textiles Limited	30-31
	Explanatory Statement under Section 173 of the Companies Act, 1956	32-33
	Form of Proxy	34
	Attendance Slip	35

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY SUMMONS FOR DIRECTION NO. 134 OF 2012

In the matter of the Companies Act, 1956 (1 of 1956);

AND

In the matter of Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956;

AND

In the matter of Composite Scheme of Arrangement and Amalgamation between Morarjee Textiles Limited ("the Demerged Company")

AND

Five Star Mercantile Limited ("the Resulting/Transferee Company")

AND

Morarjee Holdings Private Limited ("the Transferor Company")

AND

their respective shareholders

MORARJEE TEXTILES LIMITED, a Company incorporated under the provisions of the Companies Act, 1956 and having its Registered Office at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

……..Applicant Company

NOTICE CONVENING THE MEETING OF EQUITY SHAREHOLDERS OF MORARJEE TEXTILES LIMITED, THE APPLICANT COMPANY

To,
The Equity Shareholders of Morarjee Textiles Limited ("the Applicant Company"),

TAKE NOTICE that by an Order made on 17th February, 2012, in the above Company Summons for Direction, the Hon'ble High Court of Judicature at Bombay has directed that a meeting of the Members (i.e. Equity Shareholders) of Morarjee Textiles Limited, the Applicant Company, be convened and held at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001 on Monday, 19th day of March, 2012 at 3.00 p.m. for the purpose of considering and, if thought fit, approving with or without modification(s), the proposed arrangement embodied in the Composite Scheme of Arrangement and Amalgamation between Morarjee Textiles Limited and Five Star Mercantile Limited and Morarjee Holdings Private Limited and their respective shareholders.

TAKE FURTHER NOTICE that in pursuance of the said Order and as directed therein, a meeting of Equity Shareholders of Morarjee Textiles Limited will be convened and held at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001 on Monday, 19th day of March, 2012 at 3.00 p.m. at which place, day, date and time you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by proxy provided that a proxy in the prescribed form, duly signed by you or your authorised representative, is deposited at the Registered Office of the Applicant Company at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 not later than 48 hours before the said meeting. The Hon'ble High Court has appointed Ms. Urvi A. Piramal, Non-Executive Chairperson of the Applicant Company or failing her Mr. Harshvardhan A. Piramal, Executive Vice Chairman of the Applicant Company, or failing him Mr. Mahesh S. Gupta, Director of the Applicant Company or Mr. R. K. Rewari, CEO & Executive Director of the Applicant Company, to be the Chairperson/Chairman of the said meeting.

A copy of the Explanatory Statement under Section 393 of the Companies Act, 1956, Composite Scheme of Arrangement and Amalgamation, Form of Proxy and Attendance Slip are enclosed.

Sd/-
Urvi A Piramal
Chairperson appointed for the meeting

Dated this 17th day of February, 2012

Registered Office:
Peninsula Spenta, Mathuradas Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013

Notes:

1. All alterations made in the Form of Proxy should be initialed.

2. Only registered Equity Shareholders of the Applicant Company may attend and vote (either in person or by proxy or by Authorised Representative under Section 187 of the Companies Act, 1956) at the Equity Shareholders' Meeting. The representative of a body corporate which is an Equity Shareholder of the Applicant Company may attend and vote at the Equity Shareholders' Meeting provided a certified true copy of the resolution of the Board of Directors or other governing body of the body corporate authorising such representative to attend and vote at the Equity Shareholders meeting is deposited at the Registered Office of the Applicant Company not later than 48 hours before the Equity Shareholders' Meeting.

Encl.: As above

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY SUMMONS FOR DIRECTION NO. 134 OF 2012

In the matter of the Companies Act, 1956 (1 of 1956);

AND

In the matter of Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956;

AND

In the matter of Composite Scheme of Arrangement and Amalgamation between Morarjee Textiles Limited ("the Demerged Company")

AND

Five Star Mercantile Limited ("the Resulting/Transferee Company")

AND

Morarjee Holdings Private Limited ("the Transferor Company")

AND

their respective shareholders

MORARJEE TEXTILES LIMITED, a Company incorporated under the provisions of the Companies Act, 1956 and having its Registered Office at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013. } ……..Applicant Company

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. Pursuant to an Order dated 17th February, 2012 passed by the Hon'ble High Court of Judicature at Bombay in the Company Summons for Direction referred to hereinabove, a meeting of the Equity Shareholders of Morarjee Textiles Limited, the Applicant Company is being convened and held at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001 on Monday, 19th day of March, 2012 at 3.00 p.m. for the purpose of considering and if thought fit, approving with or without modification(s), the arrangement embodied in the Composite Scheme of Arrangement and Amalgamation between Morarjee Textiles Limited and Five Star Mercantile Limited and Morarjee Holdings Private Limited and their respective shareholders ('the Scheme' or 'this Scheme').

2. A copy of the Scheme setting out in detail the terms and conditions of the arrangement, inter alia, providing for the demerger of Integra Division pertaining to garment manufacturing business alongwith the investments in Morarjee Holdings Private Limited of Morarjee Textiles Limited into Five Star Mercantile Limited which has been approved by Board of Directors of the Applicant Company at its meeting held on 29th December, 2011 is attached to this explanatory statement and forms part of this statement.Subsequently on 3rd January, 2012 and on 13th January, 2012, the Committee of Directors (Demerger) has also taken on record the change in status from 'Private Limited' to 'Limited' and change of registered office address of Five Star Mercantile Limited respectively.

3. In this statement, **Morarjee Textiles Limited** is hereinafter referred to as **'MTL'**or "Applicant Company" and **Five Star Mercantile Limited** hereinafter referred to as **'FSML'** and **Morarjee Holdings Private Limited** is hereinafter referred to as **'MHPL'**. The other definitions contained in the Scheme shall apply to this Explanatory Statement also.

4. The background of all the companies involved in the scheme is as under:

4.1 Morarjee Textiles Limited:

a. MTL was incorporated on 14th July, 1995 under the provisions of the Companies Act, 1956 under the name and style of **"Morajee Brembana Private Limited"**. Subsequently it became a public company on 24th December, 1996. Further, with effect from 4th January, 2005 the name of the Company was changed from **"Morajee Brembana Limited"** to **"Morarjee Textiles Limited."**

b. The Registered Office of the Applicant Company is situated at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

c. The Authorised, Issued, Subscribed and Paid-up Share Capital of the Applicant Company as on 31st March, 2011 is as under:

Share Capital	**Rs. In Lacs**
Authorized Share Capital	
4,50,00,000 (Previous year 4,30,00,000) Equity Shares of Rs. 10/- each	4,500.00
25,00,000 (Previous year 10,00,000) Redeemable Cumulative Non Convertible Preference Shares of Rs 100/- each	2,500.00
TOTAL	**7,000.00**
Issued, Subscribed and Paid-up Share Capital	
3,63,32,349 (Previous year 3,63,32,349) Equity Shares of Rs. 10/- each, fully paid up	3633.23
25,00,000 Redeemable Cumulative Non Convertible Preference Shares of Rs 100/- each	2500.00
TOTAL	**6133.23**

Subsequent to 31st March, 2011, there has been no change in the capital structure of MTL.

d. The Applicant Company is involved in the business of manufacturing of premium cotton shirting fabric, high fashion printed fabric and also produces garment ranging from woven shirts for men to intricately embellished dresses for women.

4.2 Five Star Mercantile Limited

a. FSML was incorporated on 6th August, 2007 under the provisions of the Companies Act, 1956, under the name and style **"Five Star Mercantile Private Limited"**. On 3rd January, 2012, the Company got converted into Public Limited and was named as **"Five Star Mercantile Limited"**.

b. The Registered Office of FSML is situated at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

c. The Authorised, Issued, Subscribed and Paid-up Share Capital of FSML as on 31st March, 2011 is as under:

Share Capital	**Rs. In Lacs**
Authorized Share Capital	
10,000 Equity Shares of Rs. 10/- each	1.00
Total	**1.00**
Issued, Subscribed and Paid-up Share Capital	
10,000 Equity Shares of Rs. 10/- each, fully paid up	1.00
Total	**1.00**

Subsequent to 31st March, 2011, there has been change in the capital structure of FSML. The revised capital structure is as under:

Share Capital	**Rs. In Lacs**
Authorized Share Capital	
50,000 Equity Shares of Rs. 10/- each	5.00
Total	**5.00**
Issued, Subscribed and Paid-up Share Capital	
50,000 Equity Shares of Rs. 10/- each, fully paid up	5.00
Total	**5.00**

d. MTL alongwith with its nominee shareholders presently hold the entire share capital of FSML.

e. In line with the proposed restructuring and as part of the Scheme, the object clause of FSML shall be amended and replaced to enable it to carry on the business of Integra division.

4.3 Morarjee Holdings Private Limited

a. MHPL was incorporated on 4th March, 2009 under the provisions of the Companies Act, 1956.

b. The Registered Office of MHPL is situated at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

c. The Authorised, Issued, Subscribed and Paid-up Share Capital of MHPL as on 31st March , 2011 is as under:

Share Capital	**Rs. In lacs**
Authorized Share Capital	
20,00,000 Equity Shares of Rs. 10/- each	200.00
Total	**200.00**
Issued, Subscribed and Paid-up Share Capital	
10,000 Equity Shares of Rs. 10/- each, fully paid up	1.00
Total	**1.00**

Subsequent to 31st March, 2011, there has been no change in the capital structure of MHPL.

d. MTL alongwith with its nominee shareholders presently hold the entire share capital of MHPL.

e. MHPL owns intangibles like trademarks relating to garment products.

5. **Rationale for the Composite Scheme of Arrangement and Amalgamation**:-

The Rationale of the proposed scheme is as under:

a. To meet the growing demand for quality shirts and dresses, the management of MTL is of the view that segregation of the Integra Division pertaining to garment manufacturing business, inter-alia, would lead to following benefits:

(i) Efficient and focused management on each business operation;

(ii) Unlocking value for the shareholders of MTL; and

(iii) Integrate the related business segment.

b. The proposed adjustment is expected to reflect the true shareholder value by appropriately reflecting the future profitability from operations. Further, it would result in a more realistic determination of certain key financial ratios such as earnings per share.

6. The proposed arrangement along with the Share Entitlement Report was placed before the Board of Directors of MTL, MHPL and FSML on 29th December, 2011.

7. Pursuant to the Scheme, there would be no change in the promoter and public shareholding of MTL. The promoters and the public would continue to hold the same percentage of shares in MTL, pre and post the demerger of Integra Division of Morarjee Textiles Limited into FSML. All cost, charges and expenses relating to the Scheme shall be borne by MTL.

8. The salient features of the Scheme are as follows:

a. The Scheme, inter alia, provides for the demerger of Integra Division of MTL pertaining to garment manufacturing business alongwith its investments in MHPL into FSML with Appointed Date as 1st April, 2011. Under the same composite scheme, MHPL would be merged with FSML with Appointed Date as 1st January, 2012. Pursuant to Sections 391 to 394 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956 on a going concern basis in the manner provided for in the Scheme.

b. Appointed Date

(i) In relation to Demerger would mean 1st April, 2011 or such other date as may be fixed or approved by the High Court or such other competent authority;

(ii) In relation to Merger would mean 1st January, 2012 or such other date as may be fixed or approved by the High Court or such other competent authority.

c. In consideration for the demerger of Integra Division of the Applicant Company into FSML, FSML shall issue and allot on a proportionate basis, to the existing shareholders of the Applicant Company, shares of FSML in the following ratio:

"1 (One) fully paid Equity Share of Rs.3 (Rupees Three) each of FSML shall be issued and allotted for every 1(One) fully paid Equity Share of Rs. 10 (Rupees Ten) each held in the Applicant Company"

"1 (One) fully paid 5% Redeemable Cumulative Non-Convertible Preference Shares of Rs.1/- (Rupees One) each of FSML shall be issued and allotted for every 10 (Ten) fully paid 5% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100 (Rupees One Hundred) each held in the Applicant Company"

"1 (One) fully paid 9% Redeemable Cumulative Non-Convertible Preference Shares of Rs.1/- (Rupees One) each of FSML shall be issued and allotted for every 10 (Ten) fully paid 9% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- (Rupees One Hundred) each held in the Applicant Company"

d. All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of MTL, FSML and MHPL arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne by MTL.

e. The Scheme is and shall be conditional upon and subject to:

- The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme;
- The Scheme being approved by the requisite majority in number and value of such classes of persons including the respective members and/or creditors of MTL, FSML and MHPL as may be directed by the High Court;
- The sanction of the High Court under Sections 391 to 394 read with Sections 100 to 103 of the said Act in favour of MTL, FSML and MHPL under the said provisions and to the necessary order under Section 394 of the said Act being obtained;
- Certified or authenticated copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, of Maharashtra at Mumbai by MTL, FSML and MHPL as may be applicable;
- The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes an integral whole. The Scheme would be given effect to only if is approved in its entirety unless specifically agreed otherwise by the MTL, MHPL and FSML, by their respective Board of Directors or any Committee constituted by them.

The features set out above being only the salient features of the Composite Scheme of Arrangement and Amalgamation; the Equity Shareholders are requested to read the entire text of the Composite Scheme of Arrangement and Amalgamation annexed hereto to get fully acquainted with the provisions thereof.

9. All shareholders in the Applicant Company on the demerger record date would become shareholders in the Resulting Company and Equity Shareholders would be issued shares of the Resulting Company in the ratio 1:1 and Preference Shareholders would be issued shares of the Resulting Company in the ratio of 1:10. As per the Scheme, the relevant assets and liabilities will be transferred to the Resulting Company at Book Value. Given the fact that all existing Equity and Preference Shareholders of the Applicant Company will have proportionate participation in the Resulting Company in addition to their existing holding in the Applicant Company, the ratio has been fixed at 1:1 and 1:10 respectively.

After such issuance, each Equity Shareholder would, for every share held in the Applicant Company:

a. Continue to hold one Equity Share of the Applicant Company of face value of Rs. 7 each fully paid up (Post capital reduction) and

b. Be allotted one Equity Share of the Resulting Company of face value of Rs. 3 each fully paid up.

After such issuance, each Preference Shareholder would, for every share held in the Applicant Company:

a. Continue to hold one Preference Share of the Applicant Company of face value of Rs. 100 each fully paid up and

b. Be allotted one Preference Share of the Resulting Company of face value of Rs. 1 each fully paid up.

10. Pursuant to the Scheme, there would be no change in the shareholding pattern of the Applicant Company. The pre and post Scheme (expected) shareholding pattern of the Applicant Company based on shareholding pattern as on 10th February, 2012 is as under:

Sr. No.	Description	Pre-Demerger Shareholding		Post-Demerger Shareholding	
		Equity Shares	%	Equity Shares	%
A	**Promoters**				
1	**Indian Promoters**				
a	Individuals/ Hindu Undivided Family	105529	0.29	105529	0.29
b	Central Government/ State Government(s)	0	0	0	0
c	Bodies Corporate	0	0	0	0
d	Financial Institutions/ Banks	0	0	0	0
e	Any Others (Specify)				
(e-i)	Morarjee Goculdas Spinning & Weaving Co.Ltd. Senior Employees Stock Option Scheme through its trustees Ms. Urvi A. Piramal, Mr. Mahesh S. Gupta & Mr Shobhan Thakore	1511994	4.16	1511994	4.16
(e-ii)	Ashok Piramal Group Textiles Trust through its trustee, Ms. Urvi A. Piramal	21590112	59.42	21590112	59.42
	Sub-Total (A)(1)	**23207635**	**63.88**	**23207635**	**63.88**
2	**Foreign**				
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0
b	Bodies Corporate	0	0	0	0
c	Institutions	0	0	0	0
d	Any Others(Specify)	0	0	0	0
	Sub-Total (A)(2)	**0**	**0**	**0**	**0**
	Total Shareholding of Promoter	**23207635**	**63.88**	**23207635**	**63.88**
B	**Public Shareholding**				
B1	**Institution**				
a	Mutual Funds/ UTI	2711	0.01	2711	0.01
b	Financial Institutions/ Banks	3061	0.01	3061	0.01
c	Central/State Government	0	0	0	0
d	Venture Capital Funds	0	0	0	0
e	Insurance Companies	1938286	5.33	1938286	5.33
f	Foreign Institutional Investors	1135	0.00	1135	0.00
g	Foreign Venture Capital Investors	0	0	0	0
h	Any Other (specify)				
	Sub-Total (B)(1)	**1945193**	**5.35**	**1945193**	**5.35**

B 2	**Non Institution**				
a	Bodies Corporate	2574371	7.09	2574371	7.09
b	Individuals				
	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	4878502	13.43	4878502	13.43
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	3529430	9.71	3529430	9.71
c	Any Other (specify)				
c-i	NRIs	194435	0.54	194435	0.54
c-ii	Clearing Member	2783	0.01	2783	0.01
	Sub-Total (B)(2)	**11179521**	**30.77**	**11179521**	**30.77**
(B)	**Total Public Shareholding (B)= (B)(1)+(B)(2)**	**13124714**	**36.12**	**13124714**	**36.12**
	TOTAL (A)+(B)	**36332349**	**100**	**36332349**	**100**
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**				
1	Promoter and Promoter Group	0	0	0	0
2	Public	0	0	0	0
	Sub-Total (C)				
	Grand Total (A+B+C)	**36332349**	**100**	**36332349**	**100**

11. The directors holding the shares in the Applicant Company do not have any other interest in the Scheme otherwise that as shareholders in general. Save as aforesaid, none of the Directors of the Companies have any material interest in the proposed Scheme.

The extent of the shareholding of the Directors of the Applicant Company in the Applicant Company, FSML and MHPL either singly or jointly or as nominee as on 10th February, 2012 is as under:

Sr No	Name of the Director	Designation	Equity shares in MTL	Equity shares in FSML	Equity shares in MHPL
1	Ms. Urvi A. Piramal	Non –Executive Chairperson	49,566	1	1
2	Ms. Urvi A. Piramal as a Trustee of Ashok Piramal Group Textiles Trust	Non –Executive Chairperson	2,15,90,112	-	-
3	Mr. Harshvardhan A. Piramal	Executive Vice Chairman	16,522	1	-
4	Mr. R. K. Rewari	CEO & Executive Director	-	-	-
5	Mr. Mahesh S. Gupta	Director	-	1	-
6	Mr. Ranjan Sanghi	Director	4,000	-	-
7	Mr. Aditya Mandaldas	Director	-	-	-
8	Mr. Shobhan Thakore	Director	-	-	-
9	Mr. Pradipta Mohapatra	Director	-	-	-
10	Ms. Urvi A. Piramal, Mr. Mahesh S. Gupta and Mr. Shobhan Thakore, acting as Trustees of Morarjee Goculdas Spinning & Weaving Co. Ltd.Senior Employees Stock Option Scheme	Directors	15,11,994	-	-

The extent of the shareholding of the Directors of FSML in FSML, the Applicant Company and MHPL either singly or jointly or as nominee as on 10th February, 2012 is as under:

Sr No	Name of the Director	Designation	Equity shares in FSML	Equity shares in MTL	Equity shares in MHPL
1	Mr. Harshvardhan A. Piramal	Director	1	16,522	-
2	Mr. R. K. Rewari	Director	-	-	-
3	Mr. S. C. Kashimpuria	Director	1	850	-

The extent of the shareholding of the Directors of MHPL in MHPL, the Applicant Company and FSML either singly or jointly or as nominee as on 10th February, 2012 is as under:

Sr No	Name of the Director	Designation	Equity shares in MHPL	Equity shares in MTL	Equity shares in FSML
1	Mr. Harshvardhan A. Piramal	Director	-	16,522	1
2	Mr. S. C. Kashimpuria	Director	-	850	1

12. The Applicant Company has obtained the approval to the Scheme in the terms of Clause 24(f) of the Listing Agreement from the Bombay Stock Exchange Limited and National Stock Exchange of India Limited vide its letters dated 3rd February, 2012.

13. The financial position of the Applicant Company will not be adversely affected by the Scheme. Further, the rights and interests of the creditors of the Applicant Company will not be prejudicially affected by the Scheme as the Applicant Company, post the Scheme will be able to meet its liabilities as they arise in the ordinary course of business. Further, the rights and interests of the shareholders and creditors of the Applicant Company will not be prejudicially affected by the Scheme as no sacrifice or waiver is, at all, called from them nor are their rights sought to be modified in any manner.

14. No investigation proceedings are pending or are likely to be pending under Sections 235 to 251 of the Companies Act, 1956 in respect of the Applicant Company.

15. In the event of any of the said sanctions and approvals referred to in the preceding clause not being obtained and/ or the Scheme not being sanctioned by the High Court or such other competent authority and / or the Order not being passed as aforesaid before 31st December, 2012 or within such further period or periods as may be agreed upon between MTL, FSML and MHPL by their respective Board of Directors (and which the Board of Directors of the companies are hereby empowered and authorised to agree to and extend the Scheme from time to time without any limitation), this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

16. Inspection of the following documents may be had by the Equity Shareholders of the Applicant Company at the Registered Office of the Applicant Company between 11:00 am and 1:00 pm up to date of the Court Convening Meeting on all working days (except Saturdays, Sundays and Public holidays):

    a. Copy of the Order dated 17th February, 2012 of the Hon'ble High Court of Judicature at Bombay passed in Company Summons for Direction No. 134 of 2012 directing the convening of the meeting of the Equity Shareholders of the Applicant Company.

    b. Composite Scheme of Arrangement and Amalgamation.

    c. Memorandum and Articles of Association of the Applicant Company,FSML and MHPL.

    d. The Audited Financial Statements of the Applicant Company, FSML and MHPL for last three financial years ended 31st March, 2011, 31st March, 2010 and 31st March, 2009.

    e. The Unaudited Financial Statements of the Applicant Company, FSML and MHPL as on 31st December, 2011.

f. Copy of No Objection Certificate to the Scheme received from the Bombay Stock Exchange Limited and National Stock Exchange of India Limited vide its letters dated 3rd February, 2012.

This statement may be treated as an Explanatory Statement under Section 393 of the Companies Act, 1956. A copy of the Scheme, Explanatory Statement and Form of Proxy may be obtained from the Registered Office of the Applicant Company and/or at the office of the Advocates M/S RAJESH SHAH & CO,16, Oriental Building, 30, Nagindas Master Road, Flora Fountain, Mumbai – 400 001.

Sd/-
Urvi A Piramal
Chairperson appointed for the meeting

Dated this 17th day of February, 2012.

Registered Office:
Peninsula Spenta,
Mathuradas Mills Compound,
Senapati Bapat Marg,
Lower Parel,
Mumbai – 400 013.

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

COMPOSITE SCHEME OF ARRANGEMENT AND AMALGAMATION
BETWEEN
MORARJEE TEXTILES LIMITED
AND
FIVE STAR MERCANTILE LIMITED
AND
MORARJEE HOLDINGS PRIVATE LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS

A) PREAMBLE

This Composite Scheme of Arrangement and Amalgamation ('Scheme') is presented under Sections 391 to 394 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956 for:

1. Demerger of the Integra Division of Morarjee Textiles Limited ('Morarjee' or 'MTL') into Five Star Mercantile Limited ('FSML'); and

2. Merger of Morarjee Holdings Private Limited ('MHPL') with FSML.

This Scheme also provides for various other matters consequential or otherwise integrally connected therewith.

B) RATIONALE FOR THE SCHEME

Morarjee is a leading player in premium cotton shirting fabric and high fashion printed fabric globally. Morarjee has an integrated manufacturing which produces premium shirting and high fashion printed fabric for clients across the globe. Apart from fabric manufacturing, it also produces garment ranging from woven shirts for men to intricately embellished dresses for women (known as "Integra Division")

MHPL is a company having intangibles like trademarks relating to garment products.

To meet the growing demand for quality shirts and dresses, the management is of the view that segregation of the Integra division would lead to the following benefits:

a. Efficient and focused management on each business operations;

b. Unlocking value for the shareholders of Morarjee; and

c. Integrate the related business segment.

C) PARTS OF THE SCHEME:

This Composite Scheme of Arrangement and Amalgamation is divided into the following parts:

(i) **PART I** deals with the definitions and share capital;

(ii) **PART II** deals with demerger of Integra Division of Morarjee Textiles Limited into FSML;

(iii) **PART III** deals with the merger of MHPL with FSML;

(iv) **PART IV** deals with general terms and conditions applicable to this Scheme.

PART I

DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS

In this Scheme (as defined hereunder), unless inconsistent with the subject or context, the following expressions shall have the following meaning:

1.1 **"Act" or "The Act"** means the Companies Act, 1956, or any statutory modification or re-enactment thereof for the time being in force;

1.2 **"Appointed Date"** means :

(i) **In relation to part II** would mean 1st April, 2011 or such other date as may be fixed or approved by the High Court or such other competent authority;

(ii) **In relation to part III** would mean 1st January, 2012 or such other date as may be fixed or approved by the High Court or such other competent authority;

1.3 **"Court" or "High Court" means the** High Court of Judicature of Bombay and shall include the National Company Law Tribunal, if and when applicable;

1.4 **"Capital Reduction Record Date"** means in respect of capital reduction in Morarjee in accordance with Clause 6, the date to be fixed by the Board of Directors of Morarjee and which is on or subsequent to the Demerger Record Date as defined in clause 1.5.

1.5 **"Demerger Record Date"** means, in respect of demerger of the Integra Division business of Morarjee, the date to be fixed by the Board of Directors of Morarjee for the purposes of issue and allotment of shares by FSML to the shareholders of Morarjee in accordance with clause 5.1;

1.6 **"Effective Date"** means the later of the dates on which the certified copies of the Orders sanctioning this Scheme, passed by the High Court, or such other competent authority, as may be applicable, are filed with the Registrar of Companies, at Mumbai by Morarjee, FSML and MHPL;

1.7 **"FSML" or "the Resulting Company"or "the Transferee Company"** means Five Star Mercantile Limited, a company incorporated under the Companies Act, 1956, and having its Registered Office at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013;

1.8 **"Integra Division"** means the garment manufacturing business of Morarjee, more specifically the business of producing specialized products ranging from woven shirts for men to dresses for women including other products like different washes, embroideries and panel prints that employ the latest techniques and also includes investments till the effective date pertaining to or relating to the said business, on a going concern basis and shall without limitation include the following:

(i) All assets wherever situated, whether movable or immovable, tangible or intangible, including plant and machinery, furniture, office equipments, investments, inventories, receivables, cash and bank balance, loans and advances, appliances, accessories and all leasehold properties together with all present and future liabilities (including contingent liabilities) pertaining or relatable thereto.

(ii) Without prejudice to the provisions of sub-clause (i) above, the Integra Division shall include all the debts, liabilities, duties and obligations and also include, without limitation, all properties and assets in connection with or pertaining or relatable to the Integra Division such as licenses, copyrights, permits, quotas, approvals, registrations, lease or tenancy rights in relation to office and / or residential properties, permissions, buildings, plant and machinery, office equipments, vehicles, incentives, if any, and all other rights, title, interests, copyrights, patents, trademarks, trade names and other industrial or intellectual property rights of any nature whatsoever, consent, approvals or powers of every kind nature and description whatsoever in connection with or pertaining or relatable to the Integra Division and all loans, advances or deposits, investments made till effective date and/ or moneys paid by Morarjee in connection with or pertaining or relatable to the Integra Division and all statutory licences, permissions, approvals or consents to carry on the operations of the Integra Division.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Integra Division include:

(a) The liabilities, which arise out of the activities or operations of the Integra Division.

(b) Specific loans and / or borrowings raised, incurred and / or utilized solely for the activities or operation of the Integra Division.

(c) Liabilities other than those referred to in Sub-Clauses (a) and (b) above and not directly relatable to the Integra Division, being the amounts of any general or multipurpose borrowings of Morarjee shall be allocated to the Integra Division in the same proportion which the value of the assets transferred under this Clause bears to the total value of the assets of Morarjee immediately before giving effect to the demerger of Integra Division under this Scheme.

(d) All permanent employees employed in and / or relatable to the Integra Division as on the Effective Date; and

Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Integra Division or whether it arises out of the activities or operations of the Integra Division or not shall be decided by the Board of Directors of Morarjee or any committee thereof.

1.9 **"MHPL"or "the Transferor Company"** means Morarjee Holdings Private Limited, a company incorporated under the Companies Act, 1956, and having its Registered Office at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013;

1.10 **"Morarjee "or "the Demerged Company"** means Morarjee Textiles Limited, a company incorporated under the Companies Act, 1956, and having its Registered Office at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013;

1.11 **"Scheme"** or "**the Scheme**" or "**this Scheme**" means this Composite Scheme of Arrangement and Amalgamation in its present form as submitted to the High Court of Judicature of Bombay or this Scheme with such modification(s), if any made, as per Clause 26 of the Scheme;

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, the Securities Contract Regulation Act, 1956, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof from time to time.

2. DATE OF TAKING EFFECT AND OPERATIVE DATE

2.1 The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court of Judicature of Bombay, shall be effective from the respective Appointed Date but shall be operative from the Effective Date.

3. SHARE CAPITAL

3.1 The Authorized, Issued, Subscribed and Paid-up Share Capital of Morarjee as on March 31, 2011 is as under:

Share Capital	**Rupees in lacs**
Authorized Share Capital	
4,50,00,000 (Previous year 4,30,00,000) Equity Shares of Rs. 10/- each	4,500.00
25,00,000 (Previous year 10,00,000) Redeemable Cumulative Non Convertible Preference Shares of Rs 100/- each	2,500.00
TOTAL	**7,000.00**
Issued, subscribed and paid-up Share Capital	
3,63,32,349 (Previous year 3,63,32,349) Equity Shares of Rs. 10/- each, fully paid up	3633.23

Share Capital	Rupees in lacs
25,00,000 Redeemable Cumulative Non Convertible Preference Shares of Rs 100 each 10,00,000 (Previous year 10,00,000) 5 % Redeemable Cumulative Non- Convertible Preference Shares of Rs.100/- each Redeemable anytime between 15th November, 2014 and 15th November, 2019 at the option of the Company. 15,00,000 (Previous year - Nil) 9% Redeemable Cumulative Non- Convertible Preference Shares of Rs.100/-each. These Preference Shares are redeemable on the expiry of 5 years from the date of allotment with an option for the company for early redemption not before 18 months from the date of allotment	2500.00
TOTAL	**6133.23**

Subsequent to March 31, 2011, there has been no change in the capital structure of Morarjee.

3.2 The Authorized, Issued, Subscribed and Paid-up Share Capital of FSML as on March 31, 2011 is as under:

Share Capital	Rupees in lacs
Authorized Share Capital	
10,000 Equity Shares of Rs. 10/- each	1.00
Total	**1.00**
Issued, Subscribed and Paid-up Share Capital	
10,000 Equity Shares of Rs. 10/- each, fully paid up	1.00
Total	**1.00**

Subsequent to March 31, 2011, there has been change in the capital structure of FSML.

The revised capital structure stands as follows:

Share Capital	Rupees in lacs
Authorized Share Capital	
50,000 Equity Shares of Rs. 10/- each	5.00
Total	**5.00**
Issued, Subscribed and Paid-up Share Capital	
50,000 Equity Shares of Rs. 10/- each, fully paid up	5.00
Total	**5.00**

3.3 The Authorized, Issued, Subscribed and Paid-up Share Capital of MHPL as on March 31, 2011 is as under:

Share Capital	Rupees in lacs
Authorized Share Capital	
20,00,000 Equity Shares of Rs. 10/- each	200.00
Total	**200.00**
Issued, Subscribed and Paid-up Share Capital	
10,000 Equity Shares of Rs. 10/- each, fully paid up	1.00
Total	**1.00**

Subsequent to March 31, 2011, there has been no change in the capital structure of MHPL.

PART II

DEMERGER OF INTEGRA DIVISION OF MORARJEE TO FIVE STAR MERCANTILE LIMITED

4. VESTING OF INTEGRA DIVISION

Upon this Scheme becoming effective and with effect from the Appointed Date,the Integra Division of Morarjee, as defined in Clause 1.8 shall stand demerged to and vested in or deemed to be demerged to and vested in FSML, as a going concern, in accordance with section 2(19AA) of the Income Tax Act, 1961 and in the following manner:

4.1 With effect from the Appointed Date, the whole of the undertaking including assets, investments and properties of Morarjee relatable to the Integra Division, shall, under the provisions of Sections 391-394 read with Sections 100 to 103 and all other applicable provisions, if any, of the Act, without any further act or deed, stand transferred and/ or deemed to be transferred to and vested in FSML as a going concern so as to vest in FSML all the rights, title and interest pertaining to the Integra Division.

4.2 Any and all assets relating to the Integra Division, as are movable in nature or incorporeal property or are otherwise capable of transfer by manual delivery or by endorsement and delivery or by vesting and recordal pursuant to this Scheme shall stand transferred and vested by the Morarjee to the FSML and shall become the property and an integral part of the FSML. The vesting pursuant to this sub-clause shall be deemed to have occurred by manual delivery or endorsement, as appropriate to the property being vested and title to the property shall be deemed to have been transferred and vested accordingly. No stamp duty shall be payable on the transfer of such movable properties (including shares and other investments) upon its transfer and vesting in the FSML;

4.3 Any and all movable properties of the Morarjee relating to the Integra Division, other than those specified in sub-clause 4.2 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, shall without any further act, instrument or deed, be transferred and vested as the property of the FSML;

4.4 Any and all immovable properties (including land together with the buildings and structures standing thereon) of the Morarjee relating to the Integra Division, whether freehold or leasehold and any documents of title, rights and easements in relation thereto, shall stand transferred to and be vested in the FSML, without any act or deed done by the Morarjee or the FSML. With effect from the Appointed Date, the FSML shall be entitled to exercise all rights and privileges and be liable to pay ground rent, municipal taxes and fulfil all obligations, in relation to or applicable to such immovable properties. The mutation of title to the immovable properties in the name of the FSML shall be made and duly recorded by the appropriate authorities pursuant to the sanction of this Scheme by the Hon'ble High Court and this Scheme becoming effective in accordance with the terms hereof without any further act or deed on part of the FSML;

4.5 With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of Morarjee relatable to the Integra Division shall, without any further act or deed be and stand transferred to FSML so as to become as from the Appointed Date, the debts, liabilities, contingent liabilities, duties and obligations of FSML and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause. After the Effective Date, FSML undertakes to meet, discharge and satisfy the said liabilities to the exclusion of Morarjee and to keep Morarjee indemnified at all times from and against all such liabilities and from and against all actions, demands and proceedings in respect thereto.

4.6 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents held by Morarjee required to carry on operations in the Integra Division shall stand vested in or transferred to FSML without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of FSML. The benefit of all statutory and regulatory permissions, environmental approvals and consents, registration or other licenses, and consents shall vest in and become available to FSML pursuant to the Scheme. In so far as the various incentives, subsidies, rehabilitation Schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by Morarjee relating to the Integra Division, are concerned, the same shall vest with and be available to FSML on the same terms and conditions.

4.7 The transfer and vesting of Integra Division as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances if any, subsisting over or in respect of the property and assets or any part

thereof relatable to Integra Division to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Integra Division.

4.8 All taxes, duties, cess payable by the Morarjee relating to the Integra Division including all or any refunds/credit/claims relating thereto shall be treated as the liability or refunds/credit/claims, as the case may be, of the FSML, provided however that any direct and indirect taxes that cannot specifically be earmarked as the liability or refunds/credit/claims relating to the Integra Division shall continue to be borne by the Morarjee.

4.9 Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Integra Division of Morarjee or whether it arises out of the activities or operations of Integra Division of Morarjee shall be decided by mutual agreement between the Board of Directors of Morarjee and FSML.

5. ISSUE OF SHARES BY FSML

5.1 Upon Scheme becoming effective and in consideration for the transfer and vesting of the Integra Division of Morarjee in FSML, FSML shall, without any further application or deed, issue and allot shares, credited as fully paid up, to the extent indicated below, to the members of Morarjee whose name appears in the Register of Members of Morarjee as on the Demerged Record Date or to their respective heirs, executors, administrators or other legal representatives or the successors-in-title, as the case may be, in the following manner:

"1 (One) fully paid Equity Share of Rs.3 (Rupees Three) each of FSML shall be issued and allotted for every 1(One) fully paid Equity Share of Rs. 10 (Rupees Ten) each held in Morarjee"

"1 (One) fully paid 5% Redeemable Cumulative Non-Convertible Preference Shares of Rs.1/- (Rupees One) each of FSML shall be issued and allotted for every 10 (Ten) fully paid 5% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100 (Rupees One Hundred) each held in Morarjee"

"1 (One) fully paid 9% Redeemable Cumulative Non-Convertible Preference Shares of Rs.1/- (Rupees One) each of FSML shall be issued and allotted for every 10 (Ten) fully paid 9% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- (Rupees One Hundred) each held in Morarjee"

5.2 The shares to be issued to the members of Morarjee as above shall be subject to the Memorandum and Articles of Association of FSML and shall rank *pari passu* with the existing shares of FSML in all respects including dividends.

5.3 The shares shall be issued in dematerialized form to those shareholders who hold shares of Morarjee in dematerialized form, in to the account in which Morarjee shares are held or such other account as is intimated by the shareholders to Morarjee and / or its Registrar before the Demerged Record Date. All those shareholders who hold shares of Morarjee in physical form shall also have the option to receive the shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to Morarjee and / or its Registrar before the Demerger Record Date. Otherwise, they would be issued shares in physical form. The equity shares of FSML allotted pursuant to the Scheme shall remain frozen in the depositories system till listing and trading permission is given by the designated Stock Exchange(s).

5.4 The Board of Directors of FSML shall, if and to the extent required, apply for and obtain any approvals from concerned Government / Regulatory authorities for the issue and allotment of shares to the members of Morarjee pursuant to clause 5.1 of the Scheme.

5.5 The equity shares to be issued to the members of Morarjee pursuant to clause 5.1 of this Scheme will be listed and/or admitted to trading on all the Stock Exchanges on which shares of Morarjee are listed on the Effective Date. FSML shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said Stock Exchanges.

5.6 FSML shall, if necessary and to the extent required, increase its authorized share capital to facilitate issue of shares under this Scheme.

5.7 Approval of this Scheme by the shareholders of FSML shall be deemed to be the due compliance of the provisions of Section 81(1A) and the other relevant and applicable provisions of the Act for the issue and allotment of shares by FSML to the shareholders of Morarjee, as provided in this Scheme.

5.8 Upon the Scheme being effective, the borrowing limits of FSML in terms of section 293(1)(d) of the Act shall be deemed without any further act or deed to have been enhanced by the aggregate liabilities of the Morarjee which are being transferred to the FSML pursuant to the Scheme, such limits being incremental to the existing limits of FSML, with effect from the Appointed Date.

5.9 The approval of this Scheme by the shareholders of Morarjee and the FSML under Sections 391 and 394 of the Act shall be deemed to have the approval under Sections 16, 31, 372A and other applicable provisions of the Act and any other consents and approvals required in this regard.

6. REDUCTION OF THE EXISTING EQUITY SHARE CAPITAL OF FSML

6.1 Upon the Scheme becoming effective and upon the issue of shares in accordance with Clause 5.1 above, the existing equity shares of FSML held by the existing shareholders of FSML as specified in clause 6.2 below; as on the Demerger Record Date shall, without any application or deed, stand cancelled without any payment.

6.2 The cancellation of the existing 50,000 equity shares of Rs 10 each of FSML as mentioned in Clause 6.1 above shall be effected as an integral part of this Scheme without having to follow the process under Section 100 to 103 of the Act separately and the Order of the High Court sanctioning the Scheme shall be deemed to be also the Order under Section 102 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable. FSML shall not be required to add the words "and reduced" as a suffix to its name consequent upon such reduction.

7. REORGANISATION OF EQUITY SHARE CAPITAL OF MORARJEE

Upon the Scheme becoming effective and on the capital reduction record date:

7.1 The equity share capital of Morarjee as on the capital reduction record date shall be reduced/ extinguished by 30%. Accordingly, the face value and the paid up value per equity share of Morarjee shall, without any application or deed, stand reduced by Rs. 3/- without any payments to the holders of such equity shares of Morarjee.

7.2 The paid-up equity share capital of Morarjee of Rs. 36,33,23,490 divided into 3,63,32,349 of Rs. 10/- each shall stand reduced by Rs. 10,89,97,047/- to Rs. 25,43,26,443 divided into 3,63,32,349 equity shares of Rs. 7/- each fully paid-up. The face value and the paid up value of equity shares of Rs 10/- each of 3,63,32,349 equity shares of Morarjee shall stand reduced to Rs 7/- per share.

7.3 The equity shareholders shall receive 1 (One) equity share of Rs. 7/- each fully paid up for every 1 (One) equity share of Rs. 10/- each fully paid up.

7.4 The share certificates of Morarjee in relation to the shares held by its equity shareholders, whose names appear in the Register of Members on the capital reduction record date for effecting the reduction of share capital shall, without any further application, act, instrument or deed, be deemed to have been automatically cancelled pursuant to the Reorganisation of Share Capital and new share certificates with the revised number and face value of equityshares will be issued by Morarjee. It is clarified that the number and face value of shares held in dematerialised form will be adjusted automatically.

7.5 Simultaneously with the reduction of the paid up value of the equity shares of Morarjee in accordance with clause 7.1 above, an amount equivalent to capital reduction as mentioned in clause 7.2 above shall be credited to General Reserve Account of Morarjee.

7.6 The Reduction of the equity shares of Morarjee as mentioned above shall be effected as an integral part of this Scheme without having to follow the process under Section 100 to 103 of the Act separately and the Order of the High Court sanctioning the Scheme shall be deemed to be also the Order under Section 102 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital to the shareholders and the provisions of Section 101 of the Act will not be applicable. Morarjee shall not be required to add the words "and reduced" as a suffix to its name consequent upon such reduction.

7.7 The authorised share capital clause of the Memorandum of Association of Morarjee shall, upon the coming into effect of this Scheme and without any further act or deed, respectively be replaced by the following clauses:

7.8 "The Authorized Capital of the Company is Rs.56,50,00,000/- (Rupees Fifty Six Crores and Fifty Lakhs only) divided into 4,50,00,000 Equity Shares of Rs 7/- each and 25,00,000 Preference Shares of Rs.100/- each with the powers to the Company to increase, reduce and alter the Authorised Share Capital and to issue any part of its capital, original or increased with or without such preferential, deferred, qualified and other special rights, privileges, restrictions and conditions as may be determined under the provisions of the law in force for the time being and the regulations of the Company and to vary, modify, abrogate or deal with any such rights, privileges, restrictions and conditions in the manner prescribed by the regulations of the Company and under the provisions of the law in force."

8. ACCOUNTING TREATMENT IN THE BOOKS OF FSML AND MORARJEE

8.1 IN THE BOOKS OF FSML

8.1.1 FSML shall record the assets and liabilities, pertaining to the Integra Division, at the respective book values as appearing in the books of Morarjee, as on the Appointed Date.

8.1.2 FSML shall credit to its share capital account, the aggregate face value of the shares issued by it pursuant to Clause 5.1 of this Scheme.

8.1.3 The difference between excess of the book value of assets over book value of liabilities of the Integra Division transferred from Morarjee and recorded by FSML in terms of clause 8.1.1 and the amount credited as share capital by FSML in terms of clause 8.1.2 after adjusting the reduction in the capital pursuant to clause 6 above shall be debited/ credited to Business Reconstruction Account of FSML.

8.1.4 If considered appropriate for the purpose of application of uniform accounting methods and policies between Morarjee and FSML, FSML may make suitable adjustments and adjust the effect thereof in the General Reserve Account of FSML.

8.2 IN THE BOOKS OF MORARJEE

8.2.1 Upon the Scheme becoming effective, Morarjee shall reduce the book value of assets and liabilities pertaining to the Integra Division from its books of account.

8.2.2 Investments of Morarjee in FSML as on Demerger Record date will be cancelled.

8.2.3 The difference between the book value of assets and the book value of liabilities transferred of the Integra Division, after adjusting the amount of investments held by Morarjee in FSML as mentioned in clause 8.2.2 above, shall, be credited/ debited to the General Reserve Account of Morarjee.

9. CONDUCT OF INTEGRA DIVISION BUSINESS TILL THE EFFECTIVE DATE

With effect from the Appointed Date and upto and including the Effective Date:

9.1 Morarjee shall be deemed to have been carrying on and shall carry on the Integra Division and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all its properties and assets for and on account of and in trust for FSML, including investments pertaining to Integra Division. Morarjee undertakes to hold its said assets with utmost prudence until the Effective Date.

9.2 Morarjee shall carry on the business and activities of the Integra Division with reasonable diligence, business prudence and shall not, except in the ordinary course of business or without prior written consent of FSML, alienate charge, mortgage, encumber or otherwise deal with or dispose of any business or part thereof.

9.3 All the profits or income accruing or arising to Morarjee or expenditure or losses arising or incurred or suffered by Morarjee, in relation to the Integra Division, shall for all purposes be treated and be deemed to be accrued as the income or profits or losses or expenditure as the case may be of FSML.

9.4 Morarjee shall not vary the terms and conditions of employment of any of the employees in relation to the Integra Division except in the ordinary course of business or without the prior consent of FSML or pursuant to any pre-existing obligation undertaken by them, as the case may be, prior to the Appointed Date.

9.5 Morarjee and FSML shall be entitled, pending sanction of the Scheme, to apply to the Central/State Government, and all other agencies, departments and authorities concerned as are necessary under any law or rules, for such consents, approvals and sanctions, which may be required pursuant to this Scheme.

10. CHANGE OF NAME

10.1 With effect from the Effective Date, the name of FSML shall stand changed to "Integra Garments and Textiles Limited" or such other name as may be decided by the Board of Directors or a committee thereof and approved by the concerned Registrar of Companies. Further, the name of FSML wherever it occurs in its Memorandum and Articles of Association be substituted by such name.

11. EMPLOYEES

11.1 On the Scheme becoming operative, all staff, workmen and employees of Morarjee pertaining to the Integra Division, who are in service as on the Effective Date shall become staff, workmen and employees of FSML, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with FSML shall not be less favorable than those applicable to them with reference to their employment with Morarjee on the Effective Date. FSML agrees that the services of all such employees with Morarjee, up to the Effective Date shall be taken into account for purposes of all retirement benefits to which they may be eligible as on the Effective Date. Any question that may arise as to whether any staff, workman or employee belongs to or does not belong to the Integra Division of Morarjee, shall be mutually decided by Board of Directors of Morarjee and FSML or committee(s) thereof.

11.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund, Superannuation Fund or such other Special Fund, if any, or Trusts (hereinafter collectively referred as 'Funds') created for the benefit of the staff, workmen and employees the Integra Division of Morarjee shall, with the approval of the concerned authorities, become Funds of FSML, or shall be transferred to or merged with other similar funds of FSML for all purposes whatsoever in relation to the administration or operation of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of Morarjee in relation to such Funds shall become those of FSML. It is clarified that the services of the staff, workmen and employees will be treated as having been continuous for the purpose of the said Funds.

12. LEGAL PROCEEDINGS

12.1 If any suit, appeal or other proceeding of whatever nature by or against Morarjee, in relation to the Integra Division, is pending in on the Effective Date, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but the said suit, appeal or other legal proceedings may be continued, prosecuted and enforced by or against FSML, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against Morarjee as if this Scheme had not been made.

13. CONTRACTS, DEEDS, ETC.

13.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance, Letters of Intent, undertakings, arrangements, policies, agreements and other instruments, if any, of whatsoever nature pertaining to the Integra Division of Morarjee, which is subsisting as on the Effective Date, shall be in full force and effect against or in favour of FSML, and may be enforced by or against FSML as fully and effectually as if, instead of Morarjee, FSML had been a party thereto.

13.2 FSML shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which Morarjee will, if necessary, also be party in order to give formal effect to the provisions of this Scheme. FSML shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of Morarjee and to implement or carry out all formalities required on the part of Morarjee to give effect to the provisions of this Scheme.

14. SAVING OF CONCLUDED TRANSACTIONS

The vesting of the Integra Division of Morarjee into FSML under Clause 4 above and the continuance of proceedings by or against Morarjee in relation to the Integra Division shall not affect any transaction or proceedings already concluded on or after the Appointed Date till the Effective Date, to the end and intent that FSML accept and adopts all acts, deeds and things done and executed by or on behalf of FSML.

PART III

AMALGAMATION OF MORARJEE HOLDINGS PRIVATE LIMITED WITH FIVE STAR MERCANTILE LIMITED

15. MERGER OF MHPL

15.1 Upon the Scheme becoming effective and with effect from the Appointed Date and subsequent to the demerger of the Integra Division of Morarjee into FSML in accordance with Part II above, the whole of the business, assets, (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible including trademarks, intellectual property rights, copyrights etc) properties and liabilities of MHPL shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act or deed shall stand transferred to and vested in and / or be deemed to be transferred to and vested in FSML so as to vest in FSML all rights, title and interest pertaining to MHPL.

15.2 Any and all assets relating to the MHPL, as are movable in nature or incorporeal property or are otherwise capable of transfer by manual delivery or by endorsement and delivery or by vesting and recordal pursuant to this Scheme shall stand transferred and vested by the MHPL to the FSML and shall become the property and an integral part of the FSML. The vesting pursuant to this sub-clause shall be deemed to have occurred by manual delivery or endorsement, as appropriate to the property being vested and title to the property shall be deemed to have been transferred and vested accordingly. No stamp duty shall be payable on the transfer of such movable properties (including shares and other investments)upon its transfer and vesting in the FSML;

15.3 Any and all movable properties of the MHPL, other than those specified in sub-clause -15.2 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, shall without any further act, instrument or deed, be transferred and vested as the property of the FSML;

15.4 Any and all immovable properties (including land together with the buildings and structures standing thereon) of MHPL, whether freehold or leasehold and any documents of title, rights and easements in relation thereto, shall stand transferred to and be vested in the FSML, without any act or deed done by MHPL or the FSML. With effect from the Appointed Date, the FSML shall be entitled to exercise all rights and privileges and be liable to pay ground rent, municipal taxes and fulfil all obligations, in relation to or applicable to such immovable properties. The mutation of title to the immovable properties in the name of the FSML shall be made and duly recorded by the appropriate authorities pursuant to the sanction of this Scheme by the Hon'ble High Court and this Scheme becoming effective in accordance with the terms hereof without any further act or deed on part of the FSML

15.5 With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of MHPL shall also, under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to FSML, so as to become from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of FSML and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.

15.6 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents relating to and or held by MHPL required to carry on business of MHPL shall stand vested in or transferred to FSML without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of FSML. The benefit of all statutory and regulatory permissions, registration or other licenses, and consents shall vest in and become available to FSML pursuant to the Scheme. In so far as the various incentives, subsidies, special status and other benefits or privileges granted by any Government body, local authority or by any other person, or enjoyed and availed of by MHPL are concerned, the same shall vest with and be available to FSML on the same terms and conditions.

15.7 All the existing securities, mortgages, charges, encumbrances or liens, if any, as on the Appointed Date and those created by MHPL after the Appointed Date, over the assets of MHPL transferred to FSML shall, after the Effective Date, continue to relate and attach to such assets or any part thereof to which they are related or attached prior to the Effective Date. Such securities, mortgages, charges, encumbrances or liens shall not relate or attach or extend to any of the other assets of FSML.

15.8 All taxes of any nature, duties, cess or any other like payments or deductions made by MHPL to any statutory authorities such as Income Tax, Sales tax, Service Tax, Value Added Tax etc. or any tax deduction/ collection at source, relating to the period after the Appointed Date and upto the Effective Date shall be deemed to have been on account of and on behalf of FSML and the relevant authorities shall be bound to transfer to the account of and give credit for the same to FSML upon the passing of the order on this Scheme by the High Court or any other appropriate authority and upon relevant proof and documents being provided to the said authorities.

16. CONSIDERATION

16.1 Upon the Scheme becoming effective and subsequent to the demerger of the Integra Division of Morarjee into FSML in accordance with Part II above, the entire issued, subscribed and paid-up share capital of the MHPL would be held by FSML. Accordingly, pursuant to merger of MHPL with FSML, no shares of the FSML shall be allotted in lieu or exchange of its holding in MHPL and the share capital of the MHPL shall stand cancelled.

17. ACCOUNTING TREATMENT IN THE BOOKS OF FSML

17.1 All the assets and liabilities recorded in the books of MHPL shall stand transferred to and vested in FSML pursuant to the Scheme and shall be recorded by FSML at their respective fair values;

17.2 The investments in the equity share capital of the MHPL as appearing in the books of accounts of the FSML, as on appointed date, shall stand cancelled;

17.3 Inter-company balances, if any, will stand cancelled;

17.4 The difference, between the fair value of assets and the fair value of liabilities transferred to FSML, after making the adjustment as mentioned in clause 17.2 and 17.3 above and after adjusting the balance in Business Reconstruction Account created pursuant to clause 8.1.3 above, in case of excess, shall be credited to General Reserve Account and in case of shortfall, shall be debited to Goodwill Account.

17.5 If considered appropriate for the purpose of application of uniform accounting methods and policies between MHPL and FSML, FSML may make suitable adjustments and reflect the effect thereof in the General Reserve Account of FSML.

18. CONDUCT OF BUSINESS TILL THE EFFECTIVE DATE

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

18.1 MHPL shall be deemed to have been carrying on and shall carry on its business and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all its properties and assets for and on account of and in trust for FSML. MHPL undertakes to hold its said assets with utmost prudence until the Effective Date.

18.2 MHPL shall carry on its business and activities with reasonable diligence, business prudence and shall not, except in the ordinary course of business or without prior written consent of FSML, alienate charge, mortgage, encumber or otherwise deal with or dispose of any business or part thereof.

18.3 All the profits or income accruing or arising to MHPL or expenditure or losses arising or incurred or suffered by MHPL shall for all purposes be treated and be deemed to be accrued as the income or profits or losses or expenditure as the case may be of FSML.

18.4 MHPL shall not vary the terms and conditions of employment of any of the employees of MHPL except in the ordinary course of business or without the prior consent of FSML or pursuant to any pre-existing obligation undertaken by them, as the case may be, prior to the Appointed Date.

18.5 MHPL and FSML shall be entitled, pending sanction of the Scheme, to apply to the Central/State Government, and all other agencies, departments and authorities concerned as are necessary under any law or rules, for such consents, approvals and sanctions, which may be required pursuant to this Scheme.

19 EMPLOYEES

19.1 On the Scheme becoming operative, all staff, workmen and employees of MHPL, who are in service as on the Effective Date shall become staff, workmen and employees of FSML, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with FSML shall not be less

favorable than those applicable to them with reference to their employment with MHPL on the Effective Date. FSML agrees that the services of all such employees with MHPL, up to the Effective Date shall be taken into account for purposes of all retirement benefits to which they may be eligible as on the Effective Date. Any question that may arise as to whether any staff, workman or employee belongs to or does not belong to MHPL, shall be mutually decided by Board of Directors of MHPL and FSML or committee(s) thereof.

19.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund, Superannuation Fund or such other Special Fund, if any, or Trusts (hereinafter collectively referred as 'Funds') created for the benefit of the staff, workmen and employees of MHPL shall, with the approval of the concerned authorities, become Funds of FSML, or shall be transferred to or merged with other similar funds of FSML for all purposes whatsoever in relation to the administration or operation of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of MHPL in relation to such Funds shall become those of FSML . It is clarified that the services of the staff, workmen and employees will be treated as having been continuous for the purpose of the said Funds.

20 LEGAL PROCEEDINGS

20.1 If any suit, appeal or other proceeding of whatever nature by or against MHPL is pending on the Effective Date, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but the said suit, appeal or other legal proceedings may be continued, prosecuted and enforced by or against FSML, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against MHPL as if this Scheme had not been made.

21. CONTRACTS, DEEDS, ETC.

21.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance, Letters of Intent, undertakings, arrangements, policies, agreements and other instruments, if any, of whatsoever nature pertaining to MHPL, which is subsisting as on the Effective Date, shall be in full force and effect against or in favour of FSML, and may be enforced by or against FSML as fully and effectually as if, instead of MHPL, FSML had been a party thereto.

21.2 FSML and MHPL shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations in order to give formal effect to the provisions of this Scheme. FSML shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of MHPL and to implement or carry out all formalities required on the part of MHPL to give effect to the provisions of this Scheme.

22. SAVING OF CONCLUDED TRANSACTIONS

22.1 The merger of MHPL into FSML under Clause 15 above and the continuance of proceedings by or against MHPL shall not affect any transaction or proceedings already concluded on or after the Appointed Date till the Effective Date, to the end and intent that FSML accept and adopts all acts, deeds and things done and executed by or on behalf of FSML.

23 WINDING UP OF MHPL

23.1 On the Scheme becoming effective, MHPL shall stand dissolved automatically without being wound up.

PART IV

GENERAL TERMS AND CONDITIONS

24. AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION

24.1 Upon coming into effect of the Scheme, the following clause shall be inserted in the memorandum of association of Morarjee:

OTHER OBJECTS:

"To amalgamate, enter into any partnership or into any arrangement for sharing profits, union of interest, co-operation, joint venture or reciprocal concession, or for limiting completion, with any person or Company carrying on or engaged in or about to carry on or engage in/any business or transaction, which the Company is authorized to carry on or engage in."

The approval to the Scheme by the shareholders under section 391 and sanction to the Scheme by the High Court shall be deemed to be due compliance of the provisions of Section 17, 149 and all other relevant and applicable provisions of the Act for the amendment to the object clause and no separate resolution by shareholders shall be required.

24.2 Upon coming into effect of the Scheme, the Main Object Clause as mentioned in clause III (A) in the memorandum of association of FSML shall without any further act or deed, respectively be replaced by the following clauses:

MAIN OBJECTS:

1. To carry on the business of manufactures, imports and exports, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel garments and dresses of every kind, nature and description for men, women and children including shirts, bush-shirts, pyjama suits, vests, underwears, suits, foundation garments for ladies dresses, brassieres, maternity belts, knee caps, coats, panties, nighties, socks, stockings, sweaters, bags, perfumes, watches, pens, mobile phones, sports goods, home textiles products like bed sheets, pillow covers, duvets, curtains, table mats, carpets, laces and accessories so on.

2. To carry on the business of manufacturing, trading, dealing, import and export and selling of textiles and fabrics.

3. To carry on all the business of spinners, texturisers, weavers, knitters, cambers, manufacturers, traders, merchants, dealers, commission agents, exports and imports in India or elsewhere, in yarns, yarn and staple waste, piece goods, hosiery, of all descriptions, cotton, kapas, cotton waste, silk, polyester or man-made fibres and any other fibrous material.

4. To carry on the business of manufacturers and processors of man-made fibres, or in general, of any fibres, filaments, yarns and fabrics(whether textile, felted, looped or otherwise manufactured and/or processed from any base whether organic or inorganic or compounds or mixtures thereof, by physical, chemicals or any other process or treatment now prevalent or as may be devised in future and of spinning, blending, combing, weaving, knitting, bleaching, processing, dyeing, printing, making or otherwise turning to account any other fabrics or finished articles thereof and of manufacturing the chemicals, dyestuffs, equipments, washing, bleaching and dyeing materials, raw materials, packing materials and all other requisites needs or all or any of the above purposes and of the byproducts which can be conveniently produced therefrom and to buy, sell, import, export, distribute, trade, stock, barter, exchange, pledge, make advances upon, speculate, enter into forward transactions or otherwise deal in all or any of the foregoing (r).

The approval to the Scheme by the shareholders under section 391 and sanction to the Scheme by the High Court shall be deemed to be due compliance of the provisions of Section 17, 149 and all other relevant and applicable provisions of the Act for the amendment to the object clause and no separate resolution by shareholders shall be required.

AUTHORISED SHARE CAPITAL CLAUSE

The authorised share capital clause of the Memorandum of Association of FSML,upon the coming into effect of this Scheme and without any further act or deed, respectively be replaced by the following clauses:

"The Authorized Capital of the Company is Rs.12,05,00,000/- (Rupees Twelve Crores Five Lakhs only) divided into 4,00,00,000 Equity Shares of Rs 3/- (Rupees Three) each and 5,00,000 Preference Shares of Rs. 1/- (Rupees

One) each with the power to increase and reduce the Authorised Capital of the Company, and the Share Capital shall be capable of being increased and reduced in accordance with the Company's Regulations and Legislative provisions for the time being in force in that behalf, with power to divide the shares in the Capital for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions"

25. APPLICATION TO HIGH COURT

25.1 Morarjee, FSML and MHPL shall with all reasonable dispatch make all necessary applications under Sections 391 to 394 read with Sections 100 to 103 of the Act and other applicable provisions of the Act to the High Court for seeking approval of the Scheme.

26. MODIFICATION OR AMENDMENTS TO THE SCHEME

26.1 Morarjee, FSML and MHPL by their respective Boards of Directors ('the Board', which term shall include Committee thereof), may assent to/make and/or consent to any modifications/amendments to the Scheme or to any conditions or limitations that the Court and/or any other Authority under law may deem fit to direct or impose, or which may otherwise be considered necessary, desirable or appropriate as a result of subsequent events or otherwise by them (i.e. the Board). Morarjee, FSML and MHPL by their respective Board are authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme, whether by reason of any directive or Orders of any other authorities or otherwise howsoever, arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

27. CONDITIONALITY OF THE SCHEME

This Scheme is and shall be conditional upon and subject to:

27.1 The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme.

27.2 The Scheme being approved by the requisite majority in number and value of such classes of persons including the respective members and/or creditors of Morarjee, FSML and MHPL as may be directed by the High Court.

27.3 The sanction of the High Court under Sections 391 to 394 read with Sections 100 to 103 of the said Act in favour of Morarjee, FSML and MHPL under the said provisions and to the necessary Order under Section 394 of the said Act being obtained;

27.4 Certified or authenticated copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, of Maharashtra at Mumbai by Morarjee, FSML and MHPL as may be applicable.

27.5 The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes an integral whole. The Scheme would be given effect to only if is approved in its entirety unless specifically agreed otherwise by the Morarjee, MHPL and FSML, by their respective Board of Directors or any Committee constituted by them.

28. EFFECT OF NON-RECEIPT OF APPROVALS

28.1 In the event of any of the said sanctions and approvals referred to in the preceding clause not being obtained and / or the Scheme not being sanctioned by the High Court or such other competent authority and / or the Order not being passed as aforesaid before December 31, 2012 or within such further period or periods as may be agreed upon between Morarjee, FSML and MHPL by their respective Board of Directors (and which the Board of Directors of the companies are hereby empowered and authorised to agree to and extend the Scheme from time to time without any limitation), this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and / or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

29 COSTS, CHARGES & EXPENSES

29.1 All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of Morarjee, FSML and MHPL arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne by Morarjee.

ANNEXURE I

TERMS AND CONDITIONS FOR ISSUE OF 5% REDEEMABLE CUMULATIVE NON-CONVERTIBLE PREFERENCE SHARES

Instrument	5% Redeemable Cumulative Non-Convertible Preference Shares
Face Value	Rs. 1 each
Dividend Rate	The said preference shares shall carry the right to receive cumulative preferential dividend of 5% per annum of the face value of Rs.1 per share being the amount paid up thereon for each financial year.
Cumulative	The said shares shall be cumulative.
Redemption	The said preference shares shall be redeemable at par and not at premium.
Redemption Period	The said preference shares shall be redeemable out of profits and /or proceeds of issue of fresh shares or as may be permitted by the Companies Act, 1956 at the option of the Company at any time before the expiry of 20 years from the date of allotment of the said preference shares.
Surrender of Shares	The holders of the Preference Shares so redeemed shall surrender the share certificates for such shares to the Company against payment of the amount due on redemption.
Voting Rights	The holders of the said Preference Shares shall not have any right to vote in any manner before the Company at any meeting except on resolutions placed before the Company at any meeting which directly affects their rights.
Winding Up	The holders of the preference shares shall be entitled to a preferential right of return of the amount payable on redemption but shall not have any further right or claim over the surplus assets of the Company.

ANNEXURE II

TERMS AND CONDITIONS FOR ISSUE OF 9% REDEEMABLE CUMULATIVE NON-CONVERTIBLE PREFERENCE SHARES

Instrument	9% Redeemable Cumulative Non-Convertible Preference Shares
Face Value	Rs. 1 each
Cumulative	The Preference Shares shall be Cumulative, Redeemable and Non Convertible
Dividend Rate	The Preference Shares shall carry dividend at the rate of 9% per annum on Cumulative basis for a term of 5 years.
Redemption	The Preference Shares shall be redeemed at par at the end of 5 years from the date of allotment. The Company shall have an option to redeem the Preference Shares at any time after the end of 18 months from the date of allotment. If the Company exercises the call option, it will pay the amount of the face value of the Preference Shares alongwith the dividend declared, if any, upto the date on which it exercises the call option.
Call Option	In case, the Company exercises the call option, its liability to the Preference Shareholders shall stand extinguished from the date of dispatch of the cheques / pay order for the redemption amount alongwith the dividend, if any.
Surrender of Shares	The holders of the Preference Shares so redeemed shall surrender the share certificates for such shares to the Company against payment of the amount due on redemption.
Voting Rights	The holders of the said Preference Shares shall not have any right to vote in any manner before the Company at any meeting except on resolutions placed before the Company at any meeting which directly affects their rights.
Winding Up	The holders of the preference shares shall be entitled to a preferential right of return of the amount payable on redemption but shall not have any further right or claim over the surplus assets of the Company.

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY SUMMONS FOR DIRECTION NO. 134 OF 2012

In the matter of the Companies Act, 1956 (1 of 1956);

AND

In the matter of Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956;

AND

In the matter of Composite Scheme of Arrangement and Amalgamation between Morarjee Textiles Limited ("the Demerged Company")

AND

Five Star Mercantile Limited ("the Resulting/Transferee Company")

AND

Morarjee Holdings Private Limited ("the Transferor Company")

AND

their respective shareholders

MORARJEE TEXTILES LIMITED, a Company incorporated under the provisions of the Companies Act, 1956 and having its Registered Office at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013. ……..Applicant Company

FORM OF PROXY

I/ We ……, the undersigned, being the Equity Shareholder(s) of Morarjee Textiles Limited, the Applicant Company do hereby appoint Mr./Ms. _____ of _____ and failing him/her _____ of _____ as my/our proxy, to act for me/us at the meeting of the Equity Shareholder(s) to be held at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001 on Monday, the 19th day of March, 2012 at 3.00 p.m. for the purpose of considering and, if thought fit, approving, with or without modifications, the arrangement embodied in the proposed Composite Scheme of Arrangement and Amalgamation between Morarjee Textiles Limited and Five Star Mercantile Limited and Morarjee Holdings Private Limited and their respective shareholders and at such meeting, and any adjournment/ adjournments thereof, to vote, for me/us and in my/ our name(s) _____ (herein, if 'for' insert **'FOR'**, if 'against' insert **'AGAINST'** and in the later case strike out the words "either with or without modifications" before the word "Arrangement") the said arrangement embodied in the Composite Scheme of Arrangement and Amalgamation either with or without modifications as my/our proxy may approve.

*Strike out what is not necessary

Dated this _____ day of _____, 2012

Name _____

Address _____

_____

Affix Revenue stamp

Reg. Folio No. _____Client ID No._____

DP ID No. _____ No. of shares:_____

Signature _____

Signatures of Shareholder(s)

Sole / First Holder:_____

Second Holder:_____

Third Holder: _____

Signature of Proxy

Proxy:_____

Notes:

1. Please affix Revenue Stamp before putting Signature.
2. All alterations made in the Form of proxy should be initialed.
3. The Proxy must be deposited at the Registered Office of the Company at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 at least 48 hours before the time for holding the Court Convening meeting.
4. In case of multiple proxies, the proxy later in time shall be accepted.
5. Proxy need not be a member.

MORARJEE TEXTILES LTD.
Regd. Office: Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013.Tel:-91-22-66154651-53Fax:91-22-66154593
Website: www.morarjeetextiles.com

ATTENDANCE SLIP

COURT CONVENED MEETING OF EQUITY SHAREHOLDERS ON MONDAY, 19TH MARCH, 2012

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

I/We hereby record my/our presence at the Meeting of the Equity Shareholders of the Company, convened pursuant to the Order dated 17th February, 2012 of the Hon'ble High Court of Judicature of Bombay at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001 on Monday, the 19th day of March, 2012 at 3.00 p.m.

Name and Address of Equity Shareholders **(IN BLOCK LETTERS)**:

_____

_____

_____

_____

Signature : _____

Reg.Folio No. : _____

Client ID : _____

D.P. I.D. : _____

No. of Equity Shares : _____

Name of the Proxy holders* **(IN BLOCK LETTERS)** : _____

Signature : _____

* (To be filled in by the Proxy in case he/she attends instead of the equity shareholder)

NOTE:
Equity Shareholders attending the Meeting in person or by Proxy or through authorized representative are requested to complete and bring the Attendance Slip and hand it over at the entrance of the meeting hall.

MORARJEE TEXTILES LTD.

Regd. Office: Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013.Tel:-91-22-66154651-53 Fax:91-22-66154593
Website: www.morarjeetextiles.com

NOTICE OF THE EXTRA ORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Members of Morarjee Textiles Limited will be held at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001 on Monday, the 19th day of March, 2012 at 3.30 p.m. or immediately after the conclusion of the Court Convened Meeting of the Equity Shareholders, whichever is later, to be held on the directions of the Hon'ble Bombay High Court for approving the Composite Scheme of Arrangement and Amalgamation under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 between Morarjee Textiles Limited and Five Star Mercantile Limited and Morarjee Holdings Private Limited and their respective shareholders ("the Scheme or that Scheme") for the purpose of transacting the following Special Business:

SPECIAL BUSINESS

1. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 100 to 103 and other applicable provisions, if any, of the Companies Act, 1956, Article 46 of the Articles of Association of the Company and subject to obtaining such approvals, consents, permissions and sanctions as may be required and subject to the confirmation by the Hon'ble High Court of Judicature at Bombay under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956, as an integral part of the Scheme, the face value and paid up value of Equity Shares of the Company be reduced from Rs. 10/- per share fully paid to Rs. 7/- per share fully paid and thereby reducing the aggregate issued,subscribed and paid-up capital of the Company from Rs. 36,33,23,490/- divided into 3,63,32,349 equity shares of Rs. 10/- each fully paid up, to Rs 25,43,26,443/- divided into 3,63,32,349 equity shares of Rs. 7/- each fully paid up;

   RESOLVED FURTHER THAT an amount equivalent to the above capital reduction of Rs 10,89,97,047/- will be credited to the General Reserve Account of the Company**;**

   RESOLVED FURTHER that for the purpose of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee or person, which the Board may constitute/ nominate to exercise its powers conferred under this Resolution) be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper."

2. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 16 and 94 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 and subject to obtaining such approvals, consents, permissions and sanctions as may be required and subject to the confirmation by the Hon'ble High Court of Judicature at Bombay under Sections 391 to 394 of the Companies Act, 1956, and in pursuance of the Composite Scheme of Arrangement and Amalgamation of Morarjee Textiles Limited and Five Star Mercantile Limited and Morarjee Holdings Private Limited and their respective shareholders, the existing Clause V of the Memorandum of Association of the Company be replaced by the following clause:

   "The Authorized Capital of the Company is Rs.56,50,00,000/- (Rupees Fifty Six Crores and Fifty Lakhs only) divided into 4,50,00,000 Equity Shares of Rs 7/- each and 25,00,000 Preference Shares of Rs.100/- each with the powers to the Company to increase, reduce and alter the Authorised Share Capital and to issue any part of its capital, original or increased with or without such preferential, deferred, qualified and other special rights, privileges, restrictions and conditions as may be determined under the provisions of the law in force for the time being and the regulations of the Company and to vary, modify, abrogate or deal with any such rights, privileges, restrictions and conditions in the manner prescribed by the regulations of the Company and under the provisions of the law in force."

NOTE:

a. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the meeting.

b. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business set out above is annexed hereto.

Sd/-
Urvi A Piramal
Chairperson appointed for the meeting

Mumbai, 17th day of February, 2012.

Registered Office:
Peninsula Spenta, Mathuradas Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956

The following Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 ("the Act"), for the accompanying notice is as under:

1. The Board of Directors of Morarjee Textiles Limited ("MTL" or "the Company") in their meeting held on 29th December, 2011 have approved the Composite Scheme of Arrangement and Amalgamation between MorarjeeTextiles Limited and Five Star Mercantile Limited and Morarjee Holdings Private Limited and their respective shareholders ("the Scheme" or "this Scheme").Subsequently on 3rdJanuary, 2012 and on 13th January, 2012, the Committee of Directors (Demerger) has also taken on record the change in status from 'Private Limited' to 'Limited' and change of registered office address of FSML respectively.

2. The Company alongwith its nominee shareholders presently holds the entire share capital of FSML and MHPL.

3. The Scheme, inter alia, provides for the demerger of Integra Division of MTL pertaining to garment manufacturing business alongwith its investments in MHPL into FSML and reduction of the face value and paid up value of the Equity shares of the Applicant Company from Rs. 10/- per share fully paid to Rs. 7/- per share fully paid.

4. Pursuant to the demerger of Integra Division of the Applicant Company into FSML, shares would be issued to the shareholders of the Applicant Company. The difference between the book value of assets and the book value of liabilities transferred of the Integra Division, after adjusting the amount of investments held by MTL in FSML, shall, be credited/ debited to the General Reserve Account of MTL.

5. Since the scheme would result in reduction in the face value and paid up value of the equity share capital of the Company, the approval of the members by a Special Resolution would be required in terms of Section 100 to 103 of the Companies Act, 1956.

   Pursuant to the aforesaid capital reduction, there would be an alteration in the capital clause of the Memorandum of Association of the Company, for which the approval of the Members would be required by means of an ordinary resolution.

6. The proposed adjustment is expected to reflect the true shareholder value by appropriately reflecting the future profitability from operations. Further, it would result in a more realistic determination of certain key financial ratios such as earnings per share.

7. The proposed restructuring will not cause any prejudice to the creditors of the Company since it does not involve any financial outlay/outgo on the part of the Company. For the sake of clarity, it is specified that the reduction of capital does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. Further, the proposed restructuring would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honor its commitments or to pay its debts in the ordinary course of business.

8. The above restructuring will have no impact on the shareholding pattern and the capital structure of the Company. The pre and post restructuring share capital of the Company would remain the same.

Sr. No.	Description	Pre-Demerger Shareholding		Post-Demerger Shareholding	
		Equity Shares	%	Equity Shares	%
A	**Promoters**				
1	Indian Promoters				
a	Individuals/ Hindu Undivided Family	105529	0.29	105529	0.29
b	Central Government/ State Government(s)	0	0	0	0
c	Bodies Corporate	0	0	0	0
d	Financial Institutions/ Banks	0	0	0	0
e	Any Others(Specify)				
(e-i)	Morarjee Goculdas Spinning & Weaving Co.Ltd. Senior Employees Stock Option Scheme through its trustees Ms. Urvi A. Piramal, Mr. Mahesh S. Gupta & Mr. Shobhan Thakore	1511994	4.16	1511994	4.16
(e-ii)	Ashok Piramal Group Textiles Trust through its trustee, Ms. Urvi A. Piramal	21590112	59.42	21590112	59.42
	Sub-Total (A)(1)	**23207635**	**63.88**	**23207635**	**63.88**

2	**Foreign**				
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0
b	Bodies Corporate	0	0	0	0
c	Institutions	0	0	0	0
d	Any Others(Specify)	0	0	0	0
	Sub-Total (A)(2)	**0**	**0**	**0**	**0**
	Total Shareholding of Promoter	**23207635**	**63.88**	**23207635**	**63.88**
B	**Public Shareholding**				
B1	**Institution**				
a	Mutual Funds/ UTI	2711	0.01	2711	0.01
b	Financial Institutions/ Banks	3061	0.01	3061	0.01
c	Central/State Government	0	0	0	0
d	Venture Capital Funds	0	0	0	0
e	Insurance Companies	1938286	5.33	1938286	5.33
f	Foreign Institutional Investors	1135	0.00	1135	0.00
g	Foreign Venture Capital Investors	0	0	0	0
h	Any Other (specify)				
	Sub-Total (B)(1)	**1945193**	**5.35**	**1945193**	**5.35**
B 2	**Non Institution**				
a	Bodies Corporate	2574371	7.09	2574371	7.09
b	Individuals				
	Individuals - i. Individual shareholders holding nominal share capital up to Rs 1 lakh	4878502	13.43	4878502	13.43
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	3529430	9.71	3529430	9.71
c	Any Other (specify)				
c-i	NRIs	194435	0.54	194435	0.54
c-ii	Clearing Member	2783	0.01	2783	0.01
	Sub-Total (B)(2)	**11179521**	**30.77**	**11179521**	**30.77**
(B)	**Total Public Shareholding (B)= (B)(1)+(B)(2)**	**13124714**	**36.12**	**13124714**	**36.12**
	TOTAL (A)+(B)	**36332349**	**100**	**36332349**	**100**
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**				
1	Promoter and Promoter Group	0	0	0	0
2	Public	0	0	0	0
	Sub-Total (C)				
	Grand Total (A+B+C)	**36332349**	**100**	**36332349**	**100**

9. The Resolution as set out in the notice will be placed before the meeting for the approval of the Shareholders.

10. The Board recommends the approval of proposed resolution by the Shareholders.

11. None of the Directors of the Company are interested in the proposed Resolution, except to the extent of their shareholding.

Sd/-
Urvi A Piramal
Chairperson appointed for the meeting

Mumbai, 17th day of February, 2012.

Registered Office:
Peninsula Spenta, Mathuradas Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013.

MORARJEE TEXTILES LTD.

Regd. Office: Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013.Tel:-91-22-66154651-53 Fax:91-22-66154593
Website: www.morarjeetextiles.com

FORM OF PROXY

I/We, _____ the undersigned Member/s of MorarjeeTextiles Limited hereby appoint _____ of _____ and failing him/her, _____ _____ of _____ as my/our proxy, to act for me/us at the meeting of the Members of the Company to be held at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001 on Monday, the 19th day of March, 2012 at 3.30 p.m. or immediately after the conclusion of the Court Convened Meeting of the Equity Shareholders, whichever is later, for the purpose of considering, and, if thought fit, approving with or without modification, the resolutions as set forth in the Notice and at such meeting and at any adjournment or adjournments thereof, to vote for me/us and in my/our name _____, (here if for, insert **"FOR"** if against, insert **"AGAINST"** and in the latter case, strike out the words either 'with or without modification' before the word resolutions), the said resolutions as my/ our proxy may approve.

Dated this _____ day of _____, 2012

Name _____

Address _____

_____

_____

Folio No. _____

DP ID No. _____

Client ID No. _____

Affix Revenue stamp

Signatures : _____

Notes:

1. The Proxy must be deposited at the Registered Office of the Company at Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 at least 48 hours before the time for holding the meeting. The proxy need not be a member of Morarjee Textiles Limited.
2. All alterations made in the form of Proxy should be initialed.
3. In case of multiple proxies, the proxy later in time shall be accepted.

MORARJEE TEXTILES LTD.

Regd. Office: Peninsula Spenta, Mathuradas Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013.Tel:-91-22-66154651-53 Fax:91-22-66154593
Website: www.morarjeetextiles.com

ATTENDANCE SLIP

EXTRAORDINARY GENERAL MEETING OF MEMBERS ON MONDAY, 19TH DAY OF MARCH, 2012

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

I/We hereby record my/our presence at the Meeting of the Members of the Company, convened pursuant to the Order dated 17th day of February, 2012 of the Hon'ble High Court of Judicature of Bombay at M. C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Goda, Mumbai-400 001on Monday, the 19th day of March, 2012 at 3.30 p.m. or immediately after the conclusion of Court Convened Meeting of the Equity Shareholders, whichever is later.

Name and Address of Members **(IN BLOCK LETTERS)**:

_____

_____

_____

_____

Signature : _____

Reg.Folio No. : _____

Client ID : _____

D.P. I.D. : _____

No. of Shares : _____

Name of the Proxy holders* **(IN BLOCK LETTERS)** : _____

Signature : _____

* (To be filled in by the Proxy in case he/she attends instead of the member)

NOTE:

Member attending the Meeting in person or by Proxy or through authorized representative are requested to complete and bring the Attendance Slip and hand it over at the entrance of the meeting hall.