

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY SUMMONS FOR DIRECTION NO. 318 OF 2010**

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

AND

In the matter of Sections 391 to 394 read with Sections 78 and 100 to 103 of the Companies Act, 1956:

AND

In the matter of Scheme of Arrangement between Home Solutions Retail (India) Limited ('HSRIL' or 'the Transferor Company') and Pantaloon Retail (India) Limited ('PRIL' or 'the Transferee Company') and their respective Shareholders and Creditors

PANTALOON RETAIL (INDIA) LIMITED, a)
 company incorporated under the provisions of)
 Companies Act, 1956 having its Registered)
 Office at Knowledge House, Shyam Nagar, Off)
 Jogeshwari-Vikhroli Link Road, Jogeshwari)
 (East), Mumbai - 400 060.)

.....Applicant Company

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. Pursuant to an Order dated 30th day of April, 2010 passed by the High Court of Judicature at Bombay in the Company Summons for Direction referred to hereinabove, a meeting of the **Members** (Equity Shareholders including Class B (Series 1) Shareholders) of **PANTALOON RETAIL (INDIA) LIMITED**, the Applicant Company is being convened and held at Y. B. Chavan Centre, Gen. Jagannath Bhonsle Marg, Mumbai 400 021 on Thursday, 10th day of June, 2010 at 10.00 a.m., for the purpose of considering and if thought fit, approving with or without modification(s), the arrangement embodied in the Scheme of Arrangement between Home Solutions Retail (India) Limited ('HSRIL' or 'the Transferor Company') and Pantaloon Retail (India) Limited ('PRIL' or 'the Transferee Company') and their Respective Shareholders and Creditors ('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 transfer and vesting of Business Undertaking (as defined in the Clause 1.5 of the Scheme) of HSRIL into PRIL which has been approved by Board of Directors of the Applicant Company at its meeting held on 23rd day of February, 2010, is attached to this Explanatory Statement.
3. In this statement, **PANTALOON RETAIL (INDIA) LIMITED** is hereinafter referred to as 'PRIL' or 'the Applicant Company' or 'the Transferee Company'. The other definitions contained in the Scheme shall apply to this Explanatory Statement also.
4. The background of both the companies involved in the Scheme of Arrangement is as under:

4.1 Home Solutions Retail (India) Limited:

- a. Home Solutions Retail (India) Limited (hereinafter referred to as “HSRIL” or “the Transferor Company”) was incorporated in the State of Maharashtra on 4th day of October 2004 under the name “Home Solutions Retail (India) Limited”. The Registered Office of HSRIL is situated at

Knowledge House, Shyam Nagar, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060.

- b. The authorised, issued, subscribed and paid-up share capital of HSRIL as on June 30, 2009 is as under:

Share Capital	Amount in Rs. Lacs
Authorised Share Capital	
40,000,000 Equity Shares of Rs. 10 each	4,000
2,000,000 Preference Shares of Rs. 100 each	2,000
Total	6,000
Issued, Subscribed and Paid-up Share Capital	
30,138,149 Equity Shares of Rs. 10 each, fully paid up	3013.82
Total	3013.82

Subsequent to the above date, there has been no change in authorised, issued, subscribed and paid up share capital. PRIL holds 66.86% of the total paid up equity share capital of HSRIL.

- c.. The objects of HSRIL are set out in its Memorandum of Association are as follows:

“The Main Objects to be pursued by the Company on its Incorporation are:

- To act as general retailers by opening retail outlet on hire or company owned on all India basis and even abroad wherein furniture & fixtures for residence, office, commercial, industrial, and other buildings, building material, household goods, equipments, products, hardware, pictures, mirror, household or kitchen utensils and containers, glassware, porcelain and earthenware, carpets, rugs, mats and matting, linoleum and other materials, wall hangings, fittings, electrical goods, water supply or storage equipments, floor polish, door closers, concrete mixers, elevators and other household items any other building or decorative materials made of cement stone, clay, timber, teak, board, fibre paper, glass, rubber, plastic or other natural or synthetic substance or chemical are kept for sale and services including design, architectural, vashtu consultancy services are provided. To carry on all or any of the business of buying, selling, letting on hire, hire purchase or easy payment system and dealers of and in households and office & commercial furniture, domestic and business appliance, automobiles and vehicles of all kinds and descriptions, machinery and machinery parts, tools and implements, plants, equipments and all the spare parts and accessories required in connection therewith. To refine, process, purchase, sell, import, export or generally deal in bricks, sand, stone, marble, tile refractories, chinawares, sanitary materials, hardware, pipes, tubes, tabular structures, cements, paints, adhesives, sheets, roofings, glass, furniture, fittings, electrical goods, water supply or storage equipments, floor polish, door closers, concrete mixers, elevators and other household items any other building or decorative materials made of cement stone, clay, timber, teak, board, fibre paper, glass, rubber, plastic or other natural or synthetic substance or chemical.”*

- d. HSRIL is presently engaged in operating numerous lifestyle and value retail formats. Among its lifestyle retail formats are – eZone (high end consumer electronics specialty store), collection i (luxury furniture & furnishings) and HomeTown (Home Improvement store). Its value retail formats are Electronics Bazaar (value electronics), Furniture Bazaar (value furniture) Home Town Collection, Home Bazaar (mini Home Town format) and Got IT (knick knacks & useful tools).

4.2 Pantaloon Retail (India) Limited:

- a. The Applicant Company was incorporated in the State of Maharashtra on 12th day of October 1987 under the name “Manz Wear Private Limited”. The name of the company was changed to “Manz Wear Limited” with effect from 20th day of September 1991. The name of the Company was further

changed to "Pantaloons Fashions (India) Limited" with effect from 25th day of September 1991. The name of the Company was further changed to its present name "Pantaloons Retail (India) Limited" with effect from 7th day of July 1999. The Registered Office of the Applicant Company is situated at Knowledge House, Shyam Nagar, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060

- b. The authorised, issued, subscribed and paid-up share capital of the Applicant Company as on June 30, 2009 is as under:

Share Capital	Amount in Rs. Lacs
Authorised Share Capital	
250,000,000 Equity Shares of Rs. 2 each	5,000
50,000,000 Class B Shares of Rs. 2 each	1,000
TOTAL	6,000
Issued	
174,402,921 Equity Shares of Rs. 2 each, fully paid up	3,488.04
15,929,152 Class B (Series 1) Shares of Rs. 2 each, fully paid up	318.58
Subscribed and Paid-up Share Capital	
174,391,521 Equity Shares of Rs. 2 each, fully paid up	3,487.83
15,929,152 Class B (Series 1) Shares of Rs. 2 each, fully paid up	318.58
TOTAL	3,806.62

Subsequent to the above date, there has been no change in the authorised capital. Issued, subscribed and paid-up share capital of the Applicant Company has been increased by issue and allotment of 1,58,22,200 Equity Shares to Qualified Institutional Buyers. The increased issued capital of the Applicant Company stand at Rs. 4123.06 lacs and increased subscribed and paid up capital of the Applicant Company stand at Rs. 4,122.86 lacs.

On 22nd May, 2009 the Applicant Company allotted 50,00,000 warrants @ Rs. 183/- on preferential basis to one of its group company which can be converted to same number of equity shares at the option of the holders within 18 months from the date of allotment (i.e. on or before 21st November, 2010).

The Equity Shares and Class B (Series 1) shares of the Applicant Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

- c. The objects of the Applicant Company are set out in its Memorandum of Association. The main objects of the Applicant Company are as follows: -

"III. THE MAIN OBJECTS TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE:

- To carry on the business of manufacturing, buying, selling, exchanging, altering, importing, exporting, distributing or otherwise dealing in readymade garments and hosiery made of cotton, silk, rayon, wool, nylon, man-made fabrics, polyester, canvas, jute, leather, any other fabric coated with any chemical or not, or other preparation and other fabric.*
- To carry on the business of manufacturing, processing, dyeing, bleaching, buying, selling, exchanging, importing, exporting or otherwise dealing in yarns and textiles made of cotton, silk, rayon, wool, nylon, man-made fibres, polyester, canvas or any other substances.*

2A. *To carry on trade or retail business in India through retail formats and including but not limited to hyper markets, super markets, mega stores/discount stores, cash & carry, departmental stores, shoppers plaza, direct to home, phone order and mail order, catalogue, through internet and other forms and multi level channels for all products and services, dealing in all kinds of goods, materials and items including but not limited to food & provisions, household goods, consumer durables, jewellery, home improvement products, footwears, luggages, books & stationery, health care and beauty products, toys and music, computers & accessories, telecom products, agri input products, furniture & furnishings, automobile and accessories, and acquiring and running food, service and entertainment centers including but not limited to multiplexes, cinemas, gaming centers, amusement parks, restaurants and food courts and acquiring of land or building on lease or freehold or any commercial or industrial or residential building for running and management of retail business and to acquire flats, offices and retail spaces for carrying on retail business and to sell them, lease or sublet them and to undertake and execute civil mechanical, electrical and structural works contracts and sub contracts in all their respective branches to carry on retailing business.”*

- b. The Applicant Company is a flagship Company of the Future Group, a leading Indian Business group promoted by Mr. Kishore Biyani. The Applicant Company operates one of the leading organised multi-format retail businesses in India directly or indirectly through its subsidiaries, associates and joint ventures in various formats such as fashion, food, general merchandise, home improvement, furnishing solutions and consumer durables and electronics. These formats are managed under the various names of Pantaloons, Central, Big Bazaar, Food Bazaar, E Zone, Home Town etc. PRIL with its group companies has over 730 stores across 71 cities in India and employs over 30,000 people.

5. The Applicant Company is now proposing a Scheme of Arrangement for demerger of Business Undertaking of HSRIL into itself.

6. **Rationale of the Scheme of Arrangement**

The rationale of the proposed Scheme of Arrangement is as under

- (a) HSRIL currently operates numerous lifestyle and value retail formats. Among its lifestyle retail formats are – eZone (high end consumer electronics specialty store), collection i (luxury furniture & furnishings) and HomeTown (Home Improvement store). Its value retail formats are Electronics Bazaar (value electronics), Furniture Bazaar (value furniture), Home Town Collection, Home Bazaar (mini Home Town format) and Got IT (knick knacks & useful tools).
- (b) PRIL is India's leading retailer that operates multiple retail formats in both the value and lifestyle segment of the Indian consumer market and holds 66.86% stake in HSRIL.
- (c) The demerger of the Business Undertaking from HSRIL into PRIL would consolidate the business operations and have the following benefits:
 - Reduction in administrative cost and overheads;
 - Synergies expected to bring in cost savings in the marketing, selling and distribution expenses of PRIL;
 - Redundancies would be eliminated and resultant cost savings would give further boost to operating profits of PRIL.
7. Accordingly, the Board of Directors of PRIL vide their resolution dated 23rd day of February, 2010 approved the Scheme of Arrangement between Home Solutions Retail (India) Limited and Pantaloon Retail (India) Limited and their Respective Shareholders and Creditors.
8. The Board of Directors of HSRIL has also approved the Scheme at its meeting held on the 23rd day of February, 2010.

9. At such Board Meeting held on 23rd day of February 2010, the Valuation Report of M/s. Sharp & Tannan, (Goa), Chartered Accountants was also placed before the Board. The Valuation Report of M/s. Sharp & Tannan, (Goa), recommended the following:

Issue of 59,28,818 (Fifty Nine Lacs Twenty Eight Thousand Eight Hundred Eighteen) fully paid Equity Shares of Rs. 2/- (Rupees Two) each and 63,47,635 (Sixty Three Lacs Forty Seven Thousand Six Hundred Thirty Five) fully paid 0.01% Compulsorily Convertible Preference Shares of Rs.100/- (Rupees One Hundred) each convertible into 63,47,635 (Sixty Three Lacs Forty Seven Thousand Six Hundred Thirty Five) fully paid Equity Shares of Rs. 2/- (Rupees Two) each within a period of 12 months from the date of allotment but not later than 31st July 2011, such that equity shares and 0.01% Compulsorily Convertible Preference Shares of PRIL would be deemed to be issued in consideration of Equity Shares of HSRIL held by the shareholders of HSRIL.

No shares will be issued to PRIL for its holding in HSRIL.

10. The Board of Directors of HSRIL and PRIL, based on and relying upon the aforesaid valuation report, and on the basis of their independent evaluation and judgment, came to the conclusion that the proposed share exchange ratio is fair and reasonable and decided to incorporate the same in the Scheme which was approved by them at their respective meetings held on 23rd day of February 2010.
11. The Applicant Company has obtained a report from Sumedha Fiscal Services Limited, Merchant Banker on the fairness of the Valuation Report issued by M/s. Sharp & Tannan, (Goa).
12. The salient features of the Scheme are as follows:
- (a) The Scheme envisages the demerger of “Business Undertaking” (as defined in Clause 1.5 of the Scheme) from HSRIL into PRIL pursuant to Sections 391 to 394 read with Sections 78 and 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 means the 1st day of April, 2009 or such other date as may be fixed or approved by the High Court of Judicature at Bombay.
 - (c) Effective Date means the last of the dates on which the certified copy of the Order of the High Court of Judicature at Bombay sanctioning the Scheme of Arrangement is filed by both the companies with the Registrar of Companies, Mumbai, Maharashtra.
 - (d) The Transferor Company means Home Solutions Retail (India) Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Knowledge House, Shyam Nagar, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060.
 - (e) The Transferee Company means Pantaloon Retail (India) Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Knowledge House, Shyam Nagar, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060.
 - (f) Upon the coming into effect of this Scheme and with effect from the Appointed Date, the whole of the undertaking, assets, properties and liabilities of the Business Undertaking (as defined in clause 1.5 of the Scheme), including all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of HSRIL relating to the Business Undertaking, all statutory licenses, permissions or approvals or consents relating to and or held by HSRIL required to carry on operations of the Business Undertaking shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Companies Act, 1956 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 PRIL so as to vest in PRIL all rights, title and interest pertaining to the Business Undertaking.

- (g) Upon coming into effect of the Scheme and in consideration for the transfer and vesting of the Business Undertaking in PRIL, PRIL shall, without any further application or deed, issue and allot shares, credited as fully paid up, to all the shareholders of HSRIL (other than PRIL), on a Proportionate Basis, aggregating to 59,28,818 (Fifty Nine Lacs Twenty Eight Thousand Eight Hundred Eighteen) fully paid Equity Shares of Rs. 2/- (Rupees Two) each and 63,47,635 (Sixty Three Lacs Forty Seven Thousand Six Hundred Thirty Five) fully paid 0.01% Compulsorily Convertible Preference Shares of Rs.100/- (Rupees One Hundred) each convertible into 63,47,635 (Sixty Three Lacs Forty Seven Thousand Six Hundred Thirty Five) fully paid Equity Shares of Rs. 2/- (Rupees Two) each within a period of 12 months from the date of allotment but not later than 31st July 2011, such that equity shares and 0.01% Compulsorily Convertible Preference Shares of PRIL would be deemed to be issued in consideration of Equity Shares of HSRIL held by the shareholders of HSRIL. It is clarified that no shares will be issued to PRIL for its holding in HSRIL. The key terms of the preference shares to be issued by PRIL would be as outlined in Schedule 1 to this Scheme. Any fraction arising out of allotment of equity, preference shares shall be rounded off to the nearest lower integer.
- (h) The Equity Shares to be issued as above shall be subject to the Memorandum and Articles of Association of PRIL and shall rank *pari passu* with the existing equity shares of PRIL in all respects including dividends.
- (i) HSRIL and PRIL will account for the demerger of Business Undertaking in its books in the manner described under Clause 8 of the Scheme.
- (j) On the Scheme becoming effective, all employees of the Business Undertaking in service on the Effective Date, shall be deemed to have become employees of PRIL with effect from the Appointed Date or their respective joining date, whichever is later, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with PRIL shall not be less favorable than those applicable to them with reference to the Business Undertaking on the Effective Date.
- (k) The Board of Directors of PRIL shall, if and to the extent required, apply for and obtain any approvals from concerned Government / Regulatory authorities for the issue and allotment of equity and preference shares to the shareholders of HSRIL pursuant to the Scheme.
- (l) PRIL shall apply to the relevant Stock Exchange(s) and / or the concerned Government authorities for listing of its equity shares (including the equity shares post conversion from the Compulsorily Convertible Preference Shares), which will be allotted in pursuance of this Scheme.
- (m) In the event of the Scheme being sanctioned by the High Court, all costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) arising out of, or incurred in carrying out and implementing the Scheme and matters incidental thereto, shall be borne as mutually agreed by the Board of Directors of HSRIL and PRIL.
- (n) The Scheme is conditional upon and subject to:
- i) 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.
 - ii) The Scheme being approved by the requisite majorities in number and value of such classes of persons including the respective members and/or creditors of HSRIL and PRIL as may be directed by the Hon'ble High Court of Judicature at Bombay or any other competent authority, as may be applicable.
 - iii) The Scheme being sanctioned by the High Court of Judicature at Bombay or any other authority under Sections 391 to 394 of the Act.
 - iv) Certified copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, Maharashtra, at Mumbai by both the companies.

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

13. The pre and post demerger shareholding pattern of the Transferor Company i.e. HSRIL as on March 31, 2010 is as under:

Pre-demerger Shareholding Pattern of HSRIL:

Category code	Category of Shareholder	Total number of shares	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group		
1	Indian		
(a)	Individuals/ Hindu Undivided Family	-	-
(b)	Central Government/ State Government(s)	-	-
(c)	Bodies Corporate	20,151,095	66.86
(d)	Financial Institutions/ Banks	-	-
(e)	Any Others (Specify)	-	-
(e-i)	Partnership Firms	-	-
	Sub Total(A)(1)	20,151,095	66.86
2	Foreign		
a	Individuals (Non-Residents Individuals/Foreign Individuals)	-	-
b	Bodies Corporate	-	-
c	Institutions	-	-
d	Any Others(Specify)	-	-
	Sub Total(A)(2)	-	-
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+ (A)(2)	20,151,095	66.86
(B)	Public shareholding		
1	Institutions		
(a)	Mutual Funds/ UTI	-	-
(b)	Financial Institutions / Banks	-	-
(c)	Central Government / State Government(s)	-	-
(d)	Venture Capital Funds	9,699,554	32.18
(e)	Insurance Companies	-	-
(f)	Foreign Institutional Investors	-	-
(g)	Foreign Venture Capital Investors	-	-
(h)	Any Other (specify)	-	-
	Sub-Total (B)(1)	9,699,554	32.18
B 2	Non-institutions		
(a)	Bodies Corporate	-	-
(b)	Individuals:		
	i. Individual shareholders holding nominal share capital up to Rs 1 lakh	-	-
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	-	-
(c)	Any Other (specify) - Trust	287,500	0.95
(c-i)	Clearing Member	-	-
(c-ii)	Non Resident Indians	-	-
(c-iii)	Directors & their Relatives (Independent Directors)	-	-
	Sub-T total (B)(2)	287,500	0.95

(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	9,987,054	33.14
	TOTAL (A)+(B)	30,138,149	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	-	-
	GRAND TOTAL (A)+(B)+(C)	30,138,149	100.00

Post-demerger Shareholding Pattern of HSRIL (after reduction):

Category code	Category of Shareholder	Total number of shares	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group		
1	Indian		
(a)	Individuals/ Hindu Undivided Family	-	-
(b)	Central Government/ State Government(s)	-	-
(c)	Bodies Corporate	668,624	66.86
(d)	Financial Institutions/ Banks	-	-
(e)	Any Others(Specify)	-	-
(e-i)	Partnership Firms	-	-
	Sub Total(A)(1)	668,624	66.86
2	Foreign		
a	Individuals (Non-Residents Individuals/Foreign Individuals)	-	-
b	Bodies Corporate	-	-
c	Institutions	-	-
d	Any Others(Specify)	-	-
	Sub Total(A)(2)	-	-
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+ (A)(2)	668,624	66.86
(B)	Public shareholding		
1	Institutions		
(a)	Mutual Funds/ UTI	-	-
(b)	Financial Institutions / Banks	-	-
(c)	Central Government/ State Government(s)	-	-
(d)	Venture Capital Funds	321,836	32.18
(e)	Insurance Companies	-	-
(f)	Foreign Institutional Investors	-	-
(g)	Foreign Venture Capital Investors	-	-
(h)	Any Other (specify)	-	-
	Sub-Total (B)(1)	321,836	32.18
B 2	Non-institutions		
(a)	Bodies Corporate	-	-
(b)	Individuals:		
	i. Individual shareholders holding nominal share capital up to Rs 1 lakh	-	-
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	-	-
(c)	Any Other (specify) - Trust	9,540	0.95
(c-i)	Clearing Member	-	-
(c-ii)	Non Resident Indians	-	-
(c-iii)	Directors & their Relatives (Independent Directors)	-	-
	Sub-Total (B)(2)	9,540	0.95

(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	331,376	33.14
	TOTAL (A)+(B)	1,000,000	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	-	-
	GRAND TOTAL (A)+(B)+(C)	1,000,000	100.00

14. The pre and post-demerger (expected) shareholding pattern of PRIL, based on shareholding as on March 31, 2010 is as under:

Pre-demerger Shareholding Pattern of PRIL:

Category code	Category of Shareholder	Equity Shares		Class B Shares (Series 1)	
		Total number of shares	As a percentage of (A+B+C)	Total number of shares	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group				
1	Indian				
(a)	Individuals/ Hindu Undivided Family			2602683	16.34
(b)	Central Government/ State Government(s)				
(c)	Bodies Corporate	90076986	46.14	4805010	30.16
(d)	Financial Institutions/ Banks				
(e)	Any Others(Specify)				
(e-i)	Partnership Firms				
	Sub Total(A)(1)	90076986	46.14	7407693	46.50
2	Foreign				
a	Individuals (Non-Residents Individuals/Foreign Individuals)				
b	Bodies Corporate				
c	Institutions				
d	Any Others(Specify)				
	Sub Total(A)(2)				
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	90076986	46.14	7407693	46.50
(B)	Public shareholding				
1	Institutions				
(a)	Mutual Funds/ UTI	16662393	8.54	1793896	11.27
(b)	Financial Institutions / Banks	6545201	3.35	166342	1.04
(c)	Central Government/ State Government(s)				
(d)	Venture Capital Funds				
(e)	Insurance Companies	7635848	3.91	452886	2.84
(f)	Foreign Institutional Investors	49016899	25.11	1667865	10.47
(g)	Foreign Venture Capital Investors				
(h)	Any Other (specify)				
	Sub-Total (B)(1)	79860341	40.91	4080989	25.62
B 2	Non-institutions				
(a)	Bodies Corporate	12671906	6.49	2199840	13.81
(b)	Individuals:				
	i. Individual shareholders holding nominal share capital up to Rs 1 lakh	6587449	3.38	1119192	7.03
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	5544035	2.84	1083193	6.80

(c)	Any Other (specify)				
(c-i)	Clearing Member	190370	0.10	9484	0.06
(c-ii)	Non Resident Indians	245034	0.13	27491	0.17
(c-iii)	Directors & their Relatives	37600	0.02	1270	0.01
	Sub-Total (B)(2)	25276394	12.95	4440470	27.88
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	105136735	53.86	8521459	53.50
	TOTAL (A)+(B)	195213721	100.00	15929152	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued				
	GRAND TOTAL (A)+(B)+(C)	195213721	100.00	15929152	100.00

Notes:

1. Pre and Post Demerger Equity shareholding has been prepared on fully diluted basis i.e., assuming conversion of 50,00,000 warrants allotted to Promoter Group.

Post-demerger Shareholding Pattern of PRIL after allotment of 59,28,818 equity shares of Rs.2/- each to the shareholders of HSRIL (other than PRIL):

Category code	Category of Shareholder	Equity Shares		Class B Shares (Series 1)	
		Total number of shares	As a percentage of (A+B+C)	Total number of shares	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group				
1	Indian				
(a)	Individuals/ Hindu Undivided Family			2602683	16.34
(b)	Central Government/ State Government(s)				
(c)	Bodies Corporate	90076986	44.78	4805010	30.16
(d)	Financial Institutions/ Banks				
(e)	Any Others(Specify)				
(e-i)	Partnership Firms				
	Sub Total(A)(1)	90076986	44.78	7407693	46.50
2	Foreign				
a	Individuals (Non-Residents Individuals/Foreign Individuals)				
b	Bodies Corporate				
c	Institutions				
d	Any Others(Specify)				
	Sub Total(A)(2)				
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	90076986	44.78	7407693	46.50
(B)	Public shareholding				
1	Institutions				
(a)	Mutual Funds/ UTI	16662393	8.28	1793896	11.27
(b)	Financial Institutions / Banks	6545201	3.25	166342	1.04
(c)	Central Government/ State Government(s)				
(d)	Venture Capital Funds	5758144	2.86		
(e)	Insurance Companies	7635848	3.80	452886	2.84
(f)	Foreign Institutional Investors	49016899	24.37	1667865	10.47
(g)	Foreign Venture Capital Investors				
(h)	Any Other (specify)				
	Sub-Total (B)(1)	85618485	42.57	4080989	25.62

B 2	Non-institutions				
(a)	Bodies Corporate	12671906	6.30	2199840	13.81
(b)	Individuals:				
	i. Individual shareholders holding nominal share capital up to Rs 1 lakh	6587449	3.28	1119192	7.03
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	5544035	2.76	1083193	6.80
(c)	Any Other (specify)	170674	0.08		
(c-i)	Clearing Member	190370	0.09	9484	0.06
(c-ii)	Non Resident Indians	245034	0.12	27491	0.17
(c-iii)	Directors & their Relatives	37600	0.02	1270	0.01
	Sub-Total (B)(2)	25447068	12.65	4440470	27.88
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	111065553	55.22	8521459	53.50
	TOTAL (A)+(B)	201142539	100.00	15929152	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued				
	GRAND TOTAL (A)+(B)+(C)	201142539	100.00	15929152	100.00

Notes:

1. Pre and Post Demerger Equity shareholding has been prepared on fully diluted basis i.e., assuming conversion of 50,00,000 warrants allotted to Promoter Group.

Post-demerger Shareholding Pattern of PRIL after conversion of 63,47,635 Compulsory Convertible Preference Shares of Rs. 100/- each allotted to the shareholders of HSRIL (other than PRIL):

Category code	Category of Shareholder	Equity Shares		Class B Shares (Series 1)	
		Total number of shares	As a percentage of (A+B+C)	Total number of shares	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group				
1	Indian				
(a)	Individuals/ Hindu Undivided Family			2602683	16.34
(b)	Central Government/ State Government(s)				
(c)	Bodies Corporate	90076986	43.41	4805010	30.16
(d)	Financial Institutions/ Banks				
(e)	Any Others (Specify)				
(e-i)	Partnership Firms				
	Sub Total(A)(1)	90076986	43.41	7407693	46.50
2	Foreign				
a	Individuals (Non-Residents Individuals/Foreign Individuals)				
b	Bodies Corporate				
c	Institutions				
d	Any Others (Specify)				
	Sub Total(A)(2)				
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	90076986	43.41	7407693	46.50
(B)	Public shareholding				
1	Institutions				
(a)	Mutual Funds/ UTI	16662393	8.03	1793896	11.27
(b)	Financial Institutions / Banks	6545201	3.15	166342	1.04

(c)	Central Government/ State Government(s)				
(d)	Venture Capital Funds	11923048	5.75		
(e)	Insurance Companies	7635848	3.68	452886	2.84
(f)	Foreign Institutional Investors	49016899	23.62	1667865	10.47
(g)	Foreign Venture Capital Investors				
(h)	Any Other (specify)				
	Sub-Total (B)(1)	91783389	44.24	4080989	25.62
B 2	Non-institutions				
(a)	Bodies Corporate	12671906	6.11	2199840	13.81
(b)	Individuals:				
	i. Individual shareholders holding nominal share capital up to Rs 1 lakh	6587449	3.17	1119192	7.03
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	5544035	2.67	1083193	6.80
(c)	Any Other (specify)	353405	0.17		
(c-i)	Clearing Member	190370	0.09	9484	0.06
(c-ii)	Non Resident Indians	245034	0.12	27491	0.17
(c-iii)	Directors & their Relatives	37600	0.02	1270	0.01
	Sub-Total (B)(2)	25629799	12.35	4440470	27.88
(B)	Total Public Shareholding (B) = (B)(1)+(B)(2)	117413188	56.59	8521459	53.50
	TOTAL (A)+(B)	207490174	100.00	15929152	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued				
	GRAND TOTAL (A)+(B)+(C)	207490174	100.00	15929152	100.00

Notes:

1. Pre and Post Demerger Equity shareholding has been prepared on fully diluted basis i.e., assuming conversion of 50,00,000 warrants allotted to Promoter Group.

15. The directors of the Applicant Company and the Transferor Company may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in the respective companies, or to the extent the said directors are common directors in the companies, or to the extent the said directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust that hold shares in any of the companies or to the extent they may be allotted shares in the Applicant Company as a result of the Scheme. Save as aforesaid, none of the Directors of the company have any material interest in the proposed demerger.

16. (a) The extent of the shareholding of the Directors of PRIL in PRIL and HSRIL either singly or jointly or as nominee as on March 31, 2010 is as under:

Sr.No.	Name of the Directors	Designation	Shares in PRIL		Equity shares in HSRIL
			Equity	Equity –Class B (Series 1)	
1.	Mr. Shailesh Haribhakti	Chairman	25,100	10	Nil
2.	Mr. Kishore Biyani	Managing Director	Nil	821,075	1*
3.	Mr. Rakesh Biyani	Wholetime Director	Nil	310,437	Nil
4.	Mr. Vijay Biyani	Wholetime Director	Nil	275,273	Nil

5.	Mr. Kailash Bhatia	Wholetime Director	Nil	10	Nil
6.	Mr. Gopikishan Biyani	Director	Nil	277,085	Nil
7.	Dr. Darlie O. Koshy	Director	Nil	Nil	Nil
8.	Mr. S. Doreswamy	Director	Nil	Nil	Nil
9.	Mrs. Bala Deshpande	Director	Nil	Nil	Nil
10.	Mr. Anil Harish	Director	10,000	1,000	Nil
11.	Mr. Vijay Kumar Chopra	Director	Nil	Nil	Nil

* Holding jointly with PRIL

(b) The extent of the shareholding of the Directors of HSRIL in HSRIL and PRIL either singly or jointly or as nominee as on March 31, 2010 is as under:

Sr. No.	Name of the Directors	Designation	Equity shares in HSRIL	Shares in PRIL	
				Equity	Equity –Class B (Series 1)
1.	Mr. Kishore Biyani	Director	1*	Nil	821,075
2.	Mr. Vivek Biyani	Wholetime Director	Nil	Nil	55,405
3.	Mr. Vamesh Chovatia	Director	Nil	Nil	Nil
4.	Mr. Anand Vyas	Director	Nil	Nil	Nil

* Holding jointly with PRIL

17. The financial position of the Applicant Company will not be adversely affected by the Scheme of Arrangement since the value of the assets of both, HSRIL and PRIL, are more than their respective liabilities and as such HSRIL and PRIL both have positive net worth. 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 arrangement 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.
18. The Applicant Company has obtained the approval to the Scheme of Arrangement in the terms of Clause 24(f) of the Listing Agreements of National Stock Exchange of India Limited and Bombay Stock Exchange Limited vide their letters dated April 9, 2010 and April 22, 2010 respectively.
19. 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.
20. The rights and interests of the members of the Applicant Company will not be prejudicially affected by the Scheme.
21. On the Scheme of Arrangement being approved as per the requirements of Section 391 of the Companies Act, 1956, the Transferor Company and Transferee Company will each seek the sanction of the Hon'ble High Court of Judicature at Bombay to the Scheme.
22. In the event of any of the sanctions and approvals enumerated in the Scheme not being obtained and / or the Scheme not being sanctioned by the High Court or such other competent authority and / or the order or orders not being passed as aforesaid before December 31, 2010 or such other date as may be agreed by

the respective Board of Directors of HSRIL and PRIL may determine, the Scheme shall become null and void, and each party shall bear and pay their respective costs, charges and expenses in connection with the Scheme.

23. Inspection of the following documents may be held by the Members of the Applicant Company at the Registered Office of PRIL up to one day prior to the date of the meeting between 11 a.m. and 1 p.m. on all working days (except Saturdays, Sundays and public holidays):

- (a) Copy of the Order dated 30th day of April, 2010 of the High Court of Judicature at Bombay passed in Company Summons for Direction No. 318 of 2010 directing the convening of the meeting of the Members of the Applicant Company.
- (b) Scheme of Arrangement.
- (c) Memorandum and Articles of Association of the Applicant Company and the Transferor Company.
- (d) The Audited Financial Statements of the Applicant Company and the Transferor Company for last three financial years ended June 30, 2009, June 30, 2008 and June 30, 2007.
- (e) The Unaudited Financial Statements of the Applicant Company and the Transferor Company as on December 31, 2009.
- (f) Valuation Report of M/s. Sharp & Tannan, (Goa), Chartered Accountants.
- (g) Fairness opinion of M/s Sumedha Fiscal Services Limited.
- (h) Copy of No Objection Certificate to the Scheme received from the National Stock Exchange of India Limited and Bombay Stock Exchange Limited dated April 9, 2010 and April 22, 2010 respectively.

This statement may be treated as an Explanatory Statement under Section 173 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/-
Mr. Shailesh Haribhakti
Chairman appointed for the meeting

Dated this 10th day of May, 2010

Registered office:

Knowledge House, Shyam Nagar,
Off Jogeshwari-Vikhroli Link Road,
Jogeshwari (East), Mumbai - 400 060

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