

SCHEME OF AMALGAMATION OF
M/s RAJAPALAYAM SPINNERS LIMITED
WITH
M/s RAJAPALAYAM MILLS LIMITED

PART-1

DEFINITION

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings.

1. TRANSFEROR COMPANY

"The Transferor Company" or "RSL" means RAJAPALAYAM SPINNERS LIMITED, a Company registered under the Companies Act, 1956, having its registered office at, "Ramamandiram", 642, Tenkasi Road, Rajapalayam- 626117, the wholly owned subsidiary of Transferee Company

2. TRANSFEE COMPANY

"The Transferee Company" or "RML" means RAJAPALAYAM MILLS LIMITED, a company registered under the Companies Act, 1913, having its registered office at Rajapalayam Mills Premises, Post Box No.1, P.A.C. Ramasamy Raja Salai, Rajapalayam 626117.

3. THE ACT

"The Act" means the Companies Act, 1956 (I of 1956) including any statutory modifications or re-enactments thereof for the time being in force.

4. APPOINTED DATE

“The Appointed Date” means the date of commencement of business on 1st April 2012.

5. EFFECTIVE DATE

“The Effective Date” means the last of the following dates, namely (a) date on which, the certified copies of orders of the High Court of Judicature at Madras under Section 391 and 394 of the Companies Act, 1956 are filed with the Registrar of Companies and (b) date on which the last of all such consents, approvals, permissions, resolutions, agreements, sanctions and orders necessary thereto have been obtained or passed.

6. SCHEME

“The Scheme” means this Scheme of Amalgamation in its present form or with any modification(s) approved, imposed, or directed by the High Court of Judicature at Madras.

PART – II THE SCHEME

1. TRANSFER OF UNDERTAKING

- 1.1 With effect from the “Appointed Date” and subject to the provisions of this Scheme in relation to the mode of transfer and vesting the undertaking and the entire businesses and all the movable and immovable properties, real or personal, corporeal or incorporeal, including fixed assets, capital work-in-progress, current

assets, investments of all kinds, lease and hire purchase contracts, lending contracts, benefits of any security arrangements, reversions, powers, authorities, allotments, approvals, consents, licenses including engagements, arrangements, right, title, interest, quotas, benefits and advantages of whatsoever nature and where so ever situated, belonging to or in the ownership, power or possession and/or in the control of or vested in or granted in favour of and enjoyed by the Transferor Company including all patents, trademarks, copyrights, trade names and other intellectual property rights of any nature whatsoever and licenses in respect thereof, privileges, liberties, easements, advantages, exemptions, benefits, leases, leasehold rights, tenancy rights, ownership flats, quota rights, permits, approvals, authorizations, right to use and avail of telephones, telexes, facsimile connections and installations, utilities, electricity, power lines, communication lines and other services, reserves, deposits, provisions, funds, benefit of all agreements, subsidies, grants, tax credits, Income Tax, Sales Tax, turnover tax, excise customs and all other interests arising of the Transferor Company and any accretions or additions thereto after the "Appointed Date" (hereinafter collectively referred to as the "the said assets") shall be transferred to and vested in and/or deemed to be transferred to and vested in the Transferee Company, without any further act or deed or instruments, pursuant to the provisions of Section 394 of the said Act for all the estate, assets, rights, title and interests of the Transferor Company herein, so as to become as and from the "Appointed Date", the estate, assets, rights, title and interests of the Transferee Company.

- 1.2 The Scheme, as aforesaid, shall be, subject to existing charges/hypothecation/mortgage (if any as may be subsisting) over or in respect of the said assets or any part thereof in favour of Banks and Financial Institutions, provided, however that any reference in any security documents or arrangements to which the Transferor Company is a party, to such assets of the Transferor Company offered or agreed to be offered as security for any financial assistance both availed and to be availed up to any limits for which sanctions have already been obtained by the Transferor Company by virtue of the sub-clause 1.1. hereof, to the end and intent that such security, mortgage and/or charge shall not extend or be deemed to extend, to any of the assets or to any of the other units or divisions of the Transferee Company.
- 1.3 In respect of the floating charges created by the Transferor Company in favour of the bankers for all the movable assets, documents of title to goods, receivables, claims and other current assets that are acquired by the Transferor Company from the "Appointed Date" till the "Effective Date", shall be deemed to be the security and shall be available as security for the loans, cash credit and other working capital facilities, both fund based and non-fund based, which were sanctioned by the bankers of the Transferor Company either utilized fully or partly or unutilized by the Transferor Company subject to the limits sanctioned by their respective bankers.
- 1.4 It is expressly provided that in respect of such of the said assets as are movable in nature or are otherwise capable

of transfer by manual or constructive delivery and/or by endorsement and delivery, the same shall be so transferred by the Transferor Company and shall become the property of the Transferee Company in pursuance of the provisions of Section 391 and 394 of the said Act, as an integral part of the undertaking, such transfer being deemed to have taken place at the location of the Registered Office of the Transferee Company, i.e. in the State of Tamil Nadu.

- 1.5 In respect of the said assets other than those referred to in sub-clause referred to above, the same shall as more particularly provided in sub-clause 1.1 hereof, without any further act, instrument or deed, be transferred to and vested in and/or deemed to be transferred and vested in the Transferee Company on the "Appointed Date", pursuant to the provisions of Sections 391 and 394 of the said Act. The vesting of all assets, shall by virtue of the provisions of this Scheme, have the effect of the provisions of this Scheme, and the effect of the provisions of Section 391 and 394 of the said Act, be deemed to have taken place at the location of the Registered Office of the Transferee Company, i.e. in the State of Tamil Nadu.
- 1.6 The Transferee Company, may at any time, after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds of confirmation in favour of the secured creditors of the Transferor Company or in favour of any other party to any contract or arrangement to which the Transferor Company is a party or any writings,

as may be necessary, to be executed in order to give formal effect to the above provisions. The Transferee Company shall under the provisions of this Scheme be deemed to be authorized to execute any such writings or compliance referred to above on the part of the Transferor Company to be carried out or performed.

2. SHARE CAPITAL

1. The Authorised Share Capital of "RML", the Transferee Company is Rs.15,00,00,000/- (Rupees Fifteen Crores only) comprising of 1,50,00,000 (One Crore and Fifty lakhs) Equity Shares of Rs.10/- (Rupees ten only) each. The issued, subscribed and paid up capital is Rs.7,37,61,600/- (Rupees Seven Crores, Thirty Seven lakhs and Sixty One thousand and Six hundred only) comprising of 73,76,160 (Seventy Three lakhs, Seventy Six thousand and one hundred and Sixty) equity shares of Rs.10/- each.
2. The Authorised Share Capital of the "RSL" Transferor Company is Rs.10,00,00,000/- (Rupees Ten crores only) comprising of 1,00,00,000 (One crore) Equity Shares of Rs.10/- (Rupees Ten only) each. The issued, subscribed and paid up capital is Rs.6,00,00,000/- (Rupees Six Crores only) comprising of 60,00,000 (Sixty lakh) equity shares of Rs.10/- each.

3. TRANSFER OF DEBTS AND LIABILITIES

- 3.1 With effect from the said "Appointed Date" all debts, liabilities, duties and obligations of the Transferor Company provided in their books (hereinafter referred to

as "the said liabilities) and any accretions and additions or deletions thereto after the "Appointed Date" shall also stand transferred or deemed to be transferred without any further act or instrument or deed to the Transferee Company so as to become as and from that date, the debts, liabilities, duties and obligations of the Transferee Company and further that it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, duties and obligations have arisen in order to effect the provisions of this clause. PROVIDED ALWAYS that nothing in this clause shall or is intended to enlarge the security for any loan, deposit or other indebtedness created by the Transferor Company prior to the "Appointed Date" which shall be transferred to and vested in the Transferee Company by virtue of the amalgamation and the Transferee Company shall not be required or obliged in any manner to create any further or additional security there for after the "Appointed Date" or otherwise.

- 3.2 Upon the coming into effect of this Scheme, the borrowing limits of the Transferee Company in terms of Section 293(1) (d) of the said Act, shall without further act or deed stand enhanced by an amount equivalent to the combined authorized borrowing limits of the Transferor Company, such limits being incremental to the existing limits of the "Transferee Company". These limits as enhanced may be increased, from time to time, by the Transferee Company by obtaining sanction of its shareholders in accordance with the provisions of the said Act.

- 3.3 Upon this Scheme coming into effect, any loan or other obligation due between or amongst the Transferor Company and the Transferee Company shall stand discharged and there shall be no liability in that behalf. In so far as any securities, debentures or notes issued if any by the Transferor Company and held by the Transferee Company, and vice versa, are concerned, the same shall, unless sold or transferred by the Transferor Company or the Transferee Company, as the case may be, at any time prior to the "Effective Date", stand cancelled as on the "Effective Date" and shall be of no effect and the Transferor Company or the Transferee Company, as the case may be, shall have no further obligation outstanding in that behalf.

4. LEGAL PROCEEDINGS

Upon this Scheme coming into effect, all legal or other proceedings by or against the Transferor Company – pending and/or arising on or before the "Effective Date" including their property, rights, powers, liabilities, debts, obligations and duties, etc. of the Transferor Company shall be continued and be enforced by or against the Transferee Company, as the case may be, as effectually as if the same had been pending and/or arising by or against the Transferor Company.

5. CONDUCT OF BUSINESS TILL "EFFECTIVE DATE"

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

- 5.1.1 The Transferor Company shall carry on and be deemed to have been carrying on all business activities and shall be deemed to have been held for and on account of and in trust for the Transferee Company.
- 5.1.2 All profits or income accruing or arising to the Transferor Company or losses arising or expenditure incurred by it shall for all purposes be treated as and be deemed to be treated as the profits or income or losses or expenditure of the Transferee Company as the case may be.
- 5.1.3 The Transferor Company shall carry on its business activities with proper prudence and diligence and shall not, without prior written consent of the Transferee Company, alienate, charge or otherwise deal with or dispose of any of their units/undertakings or any part thereof except in the ordinary course of business or pursuant to any pre existing obligation undertaken by the Transferor Company prior to the "Appointed Date".
- 5.1.4 The Transferee Company shall also be entitled, pending the sanction of the Scheme, to apply to the Central Government, State Governments, and all other agencies, departments and statutory authorities concerned, wherever necessary, for such consents, approvals and sanctions which the Transferee Company may require including the registration, approvals, exemptions, etc., as may be required/granted or under any law for time being in force for carrying on business by the Transferee Company.

- 5.1.5 The Transferor Company shall not declare any dividend for the accounting period commencing from 1-4-2012 namely the "Appointed Date" till the "Effective Date" without prior written consent of the Transferee Company.
- 5.2 The Transferor Company shall continue to comply with the provisions of the Act including those relating to preparation, presentations, circulation and filing of accounts as and when they become due for compliance.
 - 5.2.1. The Transferor Company shall not make any modifications to their capital structure either by an increase (by issue of right shares, bonus shares, convertible debentures or otherwise) decrease, reclassify, sub-divide or re-organize, or in any other manner, whatsoever, except by mutual consent of the Board of Directors of the Transferor Company and the Transferee Company.
 - 5.2.2. The Transferor Company shall not vary except in the ordinary course of business the terms and conditions of the employment of their employees (if any) without the consent of the Board of Directors of the Transferee Company.

6. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

- 6.1 Subject to the other provisions contained in the Scheme, all contracts, deeds, bonds, agreements and other instruments of whatsoever nature to which the Transferor Company is a party, subsisting or having effect immediately before the amalgamation, shall be, in full

force and effect, against or in favour of the Transferee Company as the case may be, and may be enforced as full and as effectively as instead of the Transferor Company, the Transferee Company had been a party there to. The Transferee Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangement, confirmations or novations to which the Transferee Company will, if necessary, also be party in order to give formal effect to the provisions of this clause, if so required or become necessary.

6.2 For the removal of doubts, it is expressly made clear that the dissolution of the Transferor Company without the process of winding up as contemplated hereinafter, shall not, except to the extent set out in the Scheme, affect the previous operation of any contract, agreement, deed or any instrument or beneficial interest to which the Transferor Company is a party there to and shall not affect any right, privilege, obligations or liability acquired deemed to have been acquired and all such reference in such agreements, contract and instruments to the Transferor Company shall be construed as reference only to the Transferee Company with effect from the "Effective Date".

6.3 All employees of the Transferor Company in service as on "Effective Date" shall become the employees of the Transferee Company on such date without any break or interruption in service and on terms and conditions as to remuneration not less favourable than those of subsisting

with reference to the Transferor Company as on the said date.

- 6.4 In so far as the Provident Fund, Gratuity Fund, Superannuation Fund or any other special scheme(s)/Fund(s) created or existing for the benefit of the employees of the Transferor Company is concerned, from "Effective Date" the Transferee Company shall, stand substituted for the Transferor Company for all the purposes whatsoever related to the administration or operation of such schemes or Funds or in relation to the obligation to make contributions to the said schemes/funds as per the terms provided in the respective Trust Deeds, to the end and intent that all the rights, duties, powers and obligations of the Transferor Company in relations to such schemes/funds shall become those of the Transferee Company. It is clarified that the service of the employees of the Transferor Company will be treated as having been continuous for the purposes of the aforesaid schemes/funds.

7. TREATMENT OF RESERVES

- 7.1 It is further provided that upon the Scheme coming into effect, the reserves and surplus of the Transferor Company whether capital or revenue, shall be recorded in the books of the Transferee Company at their existing carrying amounts and in the same form as they appear in the books of the Transferor Company at the "Appointed Date".

- 7.2 It is further provided that upon the Scheme coming into effect, the Miscellaneous Expenditure and debit balance of the Profit and Loss Accounts of the Transferor Company, if any shall be recorded in the books of the Transferee Company at the existing carrying amounts and the Transferee Company shall follow the Accounting Standard 14 for accounting treatment of all entries.
- 7.3 In lieu of the investment by Transferee Company in the Transferor Company, the Share Capital of the Transferor Company would be adjusted in the Transferee Company's books. The difference between the amount recorded as investment in the Transferee Company and the amount of Share capital of the Transferor Company is adjusted in the reserves in the Transferee Company's books. All disclosures and treatment would be based on method of accounting prescribed under Accounting Standard-14 "Accounting for Amalgamation" as prescribed by the Institute of Chartered Accountants of India.

8. APPLICATION TO THE HIGH COURT OF JUDICATURE AT MADRAS

- 8.1 The Transferor Company shall, within reasonable time, apply to the High Court of Judicature at Madras for necessary orders or directions for dispensing with the meetings of the members of the Transferor Company and the sanctioning this Scheme of Amalgamation under Sec. 391 of the Companies Act, 1956 and orders under Sec. 394 for carrying this Scheme into effect.
- 8.2 The Transferor Company shall stand dissolved without winding up from the appointed date subject to the orders of the Hon'ble High Court of Madras upon receiving the reports of the Official Liquidator under the provisions of the Companies Act, 1956.

9. NO-Allotment

- (a) On approval of this Scheme the entire shares held by the Transferee Company or its nominees in the Transferor Company shall stand cancelled and No allotment of shares will be made by the Transferee Company. On approval of this scheme the entire paid-up capital of the Transferor Company shall stand cancelled.
- (b) In the similar way any loan is granted by the Transferee Company to the Transferor Company shall stand cancelled

10. MODIFICATIONS/AMENDMENTS TO THE SCHEME

- 10.1 The Transferor Company and the Transferee Company through their respective Board of Directors or other

persons, duly authorized by the respective Boards in this regard, may make or assent to any alteration or modification to this Scheme or to any conditions or limitations, which the High Court of Judicature at Madras or any other Competent Authority may deem fit to direct, approve or impose and may give such directions, as they may consider necessary, to settle any doubt, question or difficulty, arising under the scheme or in regard to its implementation or in any manner connected there with and to do all such acts, deeds, matters and things necessary for putting this Scheme into effect.

After dissolution of the Transferor Company, the Transferee Company by its Board of Directors or other persons duly authorized by its Board in this regard, shall be authorized, to take such steps, as may be necessary, desirable or proper to resolve any doubts, difficulties or questions, whether by reasons of any order of the High Court of Judicature at Madras or of any directive or order of any other authorities or otherwise, however, arising out of, under by virtue of this Scheme and/or matters concerning or connected therewith.

- 10.2 The Scheme shall be operative with effect from the APPOINTED DATE.

11. SCHEME CONDITIONAL ON APPROVALS/SANCTIONS

This Scheme is conditional on and subject to:-

- 11.1 The sanction or approval under any law of the Central Government, State Government, or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
- 11.2 The approval of and agreement to the Scheme by the requisite majority of such classes of persons of the Transferor Company as may be directed by the High Court of Judicature at Madras on the applications made for directions under Sections 391 of the Act.
- 11.3 The sanction by the High Court of Judicature at Madras under Section 391 and 394 and other applicable provisions of the Act being obtained by the Transferor Company as the case may be.
- 11.4 Such other sanctions and approvals as may be required by Law obtained, all necessary certified copies of the orders referred to in the Scheme being filed with the Registrar of Companies, Chennai.
- 11.5 In the event of Scheme failing to take finality, the Scheme shall become null and void and in that event, no rights and liabilities whatsoever shall accrue to or be incurred inter-se by the parties or their shareholders or their creditors or employees or any other person.

12. EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses of the Transferor Company and the Transferee Company respectively in relation to or in

connection with negotiations leading up to the Scheme and or carrying out and completing the terms and provisions of this Scheme and in relation to or in connection with the Scheme and incidental to the completion of the amalgamation of the Transferor Company in pursuance of this Scheme shall be borne and paid by the Transferee Company.

13. The Board of Directors of the Transferor Company and of the Transferee Company acting jointly or any person or persons duly authorized by them respectively may assent on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the High Court of Madras may think fit to impose and may do all acts, deeds, matters and things necessary and/or expedient for carrying this Scheme into effect.