



SHIVA TEXYARN LIMITED

Regd. Office : 252, Mettupalayam Road, Coimbatore - 641 043, Tamilnadu INDIA

Telephone : 0422 - 2435555 E-mail : shares@shivatex.co.in

Website : www.shivatex.co.in CIN : L65921TZ1980PLC000945

THE SCHEME OF ARRANGEMENT (DEMERGER)

Shiva Texyarn Limited, a public limited company listed with BSE and NSE, operated primarily in two locations with distinct features as set out below:

- a) In Dindigul District, Tamilnadu wherein it has a standalone spinning unit with capacity of 39,072 spindles together with windmills relating to the said unit with a capacity of 10.65 MW. The unit manufactures mainly cotton hosiery yarn with an average count of 40s.;
- b) In Tirupur/Erode District, Tamilnadu wherein it has a Spinning Unit with capacity of 52416 spindles manufacturing average count of 30s, Technical Textiles which is into value added, Coated and Laminated fabrics, Knitting, Garment unit inter-alia manufacturing specialty garments for defence etc., Processing unit, Activated Carbon Unit, Bag Unit and Windmills relating to the said units with a capacity of 18.145 MW. The operations are composite in nature, and significantly the technology employed is high end, and the Plants are equipped to produce contamination free yarn and other special yarn. The target market is niche markets, value added products, exports etc.

The nature of thrust and direction required for the growth of the two distinct operations as segregated above, are very different. The two distinct divisions catering to two entirely different market segments in textile, require different growth strategies. In the circumstances, the management of the company felt that it would be in the interest of all stakeholders to demerge the two distinct operations to give specific and focused thrust to the respective divisions and decided to demerge, by way of the scheme, the Dindigul operations together with the related windmills into a separate entity and incorporated STYL Textile Ventures Limited as a wholly owned subsidiary to facilitate the demerger.

Accordingly, a scheme of arrangement is presented under Sections 391 to 394 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 2013, between Shiva Texyarn Limited (**Demerged Company**) and Shiva Mills Limited (formerly known as "STYL Textile Ventures Limited") (**Resulting Company**) and their respective Shareholders and Creditors, for demerger of a standalone spinning unit of Demerged Company with capacity of 39,072 spindles together with 22 windmills relating to the said unit with a capacity of 10.65 MW located at Dindigul District, Tamilnadu, (**Demerged Undertaking**) into the Resulting Company. (**Demerger**). The scheme also provides for (i) transfer of all assets and liabilities of Demerged Undertaking to Resulting Company (ii) issue of shares by Resulting Company to the shareholders of De-merged Company (iii) listing of the Equity Shares of Resulting Company on BSE and NSE; and (iv) various other matters consequential to or otherwise integrally connected with the above. (the "**Scheme of Arrangement**" or the "**Scheme**").





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The Board of Directors of Demerged Company and Resulting Company had approved the Scheme of Arrangement on November 30, 2015. The NCLT has approved the scheme *via* order dated August 23, 2017. The Effective Date of the Scheme is August 29, 2017.

SALIENT FEATURES OF THE SCHEME ARE AS UNDER:

Purpose of the Scheme:

The rationale for the Scheme, as mentioned in clause II of the Scheme, is as follows:

- A. As a result of demerger the units/divisions requiring special attention will be separated. The Demerged Company and Resulting Company would focus on their respective businesses to achieve sustained growth.
- B. The nature of risk involved and focus required for the Remaining Undertaking and the Demerged Undertaking is distinct from each other. Consequently, each business or undertaking is capable of addressing independent business opportunities, deploying different business techniques and attracting different set of investors, strategic partners, lenders and other stakeholders.
- C. The demerger would provide scope for independent expansion without committing the organization in entirety.
- D. It is believed that the proposed demerger will create enhanced value for the shareholders and allow a focused strategy in operations which would be in the best interest of all stake holders.
- E. The Board of Demerged Company considered that it would be advantageous to demerge the Demerged Undertaking, into a separate entity.

Appointed Date

The appointed date for Demerger of Demerging Undertaking of the Demerged Company into Resulting Company is April 1, 2015.

Effective Date

The effective date of the Scheme is August 29, 2017.

Transfer of Demerged Undertaking

Upon coming into effect of this Scheme and with effect from the Appointed Date, the Demerged Undertaking shall, in pursuance of Sections 391 to 394 of the Act, without any further act, deed, matter or thing be and stand transferred to and vested in and shall be deemed to be transferred to and vested in the Resulting Company on a going concern basis and the entire Demerged Undertaking shall stand transferred and vested in the Resulting Company as an integral and indivisible part of the Resulting Company.





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Consideration of the Demerger

Upon the Scheme becoming effective, in consideration of the Demerger including the transfer and vesting of the Demerged Undertaking in the Resulting Company, notwithstanding anything contained in the Articles of Association of the Resulting Company, the Resulting Company shall without any further act or deed, issue and allot to each member of the Demerged Company whose name is recorded in the Register of Members of the Demerged Company on the Record Date 2 (TWO) fully paid up equity share of Rs. 10/- each in the Resulting Company for every 5 (FIVE) equity share of Rs. 10/- each fully paid-up, held by such member or his/her heirs, executors, administrators or successors in the Demerged Company. All fractional entitlements shall be paid to the shareholders by disposal of such shares in such manner as the Board of Directors may deem fit.

Capital Reduction

As per the Scheme there is a pro-rata reduction of shareholding of the shareholders (Demerged Company) resulting in Three (3) equity shares of Rs.10/- each held by them in the Demerged Company.

Capital Reduction process at a glance:

Particulars	No.of Equity Shares (equity shares of Rs.10/- each)
Shares Outstanding before Demerger	2,16,04,521
(-) Reduction of Capital on Demerger	86,41,808
Shares Outstanding after Demerger	1,29,62,713

Cancellation of Shares

The amount of share capital held by the Demerged Company and the value of advances payable to the Demerged Company, cancelled under the Scheme, shall be credited to General Reserve.

Listing of Equity Shares of Resulting Company

The equity shares to be issued to the shareholders of Demerged Company pursuant to this Scheme will be listed and / or admitted to trading on all the Stock Exchanges on which the shares of the Demerged Company were listed on the Effective Date and the Resulting Company shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said Stock Exchanges.





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Change in name of the Resulting Company

With effect from the effective date the name of the Resulting Company shall be changed from "STYL Textile Ventures Limited" to "Shiva Mills Limited" pursuant to the order of the Hon' National Company Law Tribunal, Division Bench, Chennai sanctioning the scheme. It is expressly provided that the approval of the Scheme shall be deemed to be due compliance with all applicable provisions of the Companies Act and all other applicable laws as is for the time being in force.

For Shiva Texyarn Limited


R SRINIVASAN
Company Secretary
ACS No: 21254