SHRIRAM
Commercial Vehicle Finance

SHRIRAM TRANSPORT FINANCE COMPANY LIMITED
Mookambika Complex, 3rd Floor, No.4, Lady Desika Road, Mylapore,
Chennai - 600 004, Tamil Nadu, India.
website: www.stfc.in / email: secretarial@stfc.in

Court convened meeting of the Equity Shareholders of
Shriram Transport Finance Company Limited

Day : Thursday
Date : June 14, 2012
Time : 10:30 A.M.
Venue : Narada Gana Sabha (Main Hall), No. 314, T.T.K. Road, Alwarpet,
Chennai – 600018, Tamil Nadu.

Sr No	Contents	Page No
1.	Notice of court convened meeting of the Equity Shareholders of Shriram Transport Finance Company Limited	2
2.	Explanatory Statement under section 393 of the Companies Act, 1956	4
3.	Scheme of Arrangement under Sections 391 to 394 and Sections 100 and 104 of the Companies Act, 1956	21
4.	Form of Proxy	35
5.	Attendance Slip	36

CERTIFIED TRUE COPY

For SHRIRAM TRANSPORT FINANCE CO. LTD.

Company Secretary

IN THE HIGH COURT OF JUDICATURE AT MADRAS
(ORDINARY ORIGINAL CIVIL JURISDICTION)
COMPANY APPLICATION NO. 411 OF 2012

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

AND

In the matter of Sections 391 to 394 and Sections 100 and 104 of the Companies Act, 1956

AND

In the matter of the Scheme of Arrangement between Shriram Holdings (Madras) Private Limited and Shriram Transport Finance Company Limited

Shriram Transport Finance Company Limited

a company incorporated under the provisions of Companies Act, 1956, and having its registered office at 3rd Floor, Mookambika Complex, No.4,Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu. Represented by Mr S. Venkatakrishnan

.... Applicant /
Transferee Company

NOTICE CONVENING MEETING OF THE EQUITY SHAREHOLDERS OF SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

To
All Equity Shareholders,
Shriram Transport Finance Company Limited

TAKE NOTICE THAT by an Order dated April 27, 2012, the Hon'ble High Court of Judicature at Madras has directed that a meeting of the Equity Shareholders of the Applicant Company, be held on Thursday, June 14, 2012 at 10.30 A.M. at Narada Gana Sabha (Main Hall), No. 314, T.T.K. Road, Alwarpet, Chennai - 600018, Tamil Nadu, for the purpose of considering and, if thought fit, approving, with or without modification(s), the proposed Scheme of Arrangement between Shriram Holdings (Madras) Private Limited and Shriram Transport Finance Company Limited and their respective shareholders and creditors.

TAKE FURTHER NOTICE THAT in pursuance of the said Order, the meeting of the Equity Shareholders of the Applicant Company will be held on Thursday June 14, 2012, at 10.30 A.M. at Narada Gana Sabha (Main Hall), No. 314, T.T.K. Road, Alwarpet, Chennai - 600018, Tamil Nadu, at which time and place 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 the proxy in the prescribed form duly signed by you is deposited at the registered office of the Applicant Company at 3rd Floor, Mookambika Complex, No. 4, Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu, not later than 48 hours before the meeting.

The Equity Shareholders shall be present in person or by proxy.

The Hon'ble High Court has appointed Mr Umesh Revankar, Managing Director, failing him Mr S. Lakshminarayanan, Director as the Chairman of the said meeting. A copy, each, of the said Scheme of Arrangement, the statement under Section 393 of the Companies Act, 1956, a form of proxy and attendance slip is enclosed.

Dated at Chennai this 9th day of May 2012

Umesh Revankar
Chairman appointed for the meeting

Registered office address:
3rd Floor, Mookambika Complex
No.4, Lady Desika Road, Mylapore,
Chennai - 600004, Tamil Nadu.

Notes:

(1) Only registered equity shareholders of the Applicant Company may attend and vote (either in person or proxy) at the equity shareholders meeting. The representative of a body corporate which is a registered equity shareholder of the Applicant Company may attend and vote at the equity shareholders' meeting provided a certified copy of the resolution of the Board of Directors or other governing body of the body corporate is deposited at the registered office of the Applicant Company not later than 48 hours before the meeting authorizing such representative to attend and vote at the equity shareholders' meeting.

IN THE HIGH COURT OF JUDICATURE AT MADRAS
(ORDINARY ORIGINAL CIVIL JURISDICTION)
COMPANY APPLICATION NO. 411 OF 2012

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

AND

In the matter of Sections 391 to 394 and Sections 100 and 104 of the Companies Act, 1956

AND

In the matter of the Scheme of Arrangement between Shriram Holdings (Madras) Private Limited and Shriram Transport Finance Company Limited

Shriram Transport Finance Company Limited

a company incorporated under the provisions of Companies Act, 1956, and having its registered office at 3rd Floor, Mookambika Complex, No.4, Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu. Represented by Mr S. Venkatakrishnan

.... Applicant /
Transferee Company

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956 ("Explanatory Statement")

1. Pursuant to an Order dated April 27, 2012, passed by the Hon'ble High Court of Judicature at Madras in the Company Application referred to above, meeting of the equity shareholders of Shriram Transport Finance Company Limited, **(the "Applicant Company")**, is being convened at Narada Gana Sabha (Main Hall), No. 314 T.T.K. Road, Alwarpet, Chennai - 600018, Tamil Nadu, on Thursday, June 14, 2012 at 10.30 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 (referred to as "**Scheme**") of Shriram Holdings (Madras) Private Limited (**"SHMPL"**) and Shriram Transport Finance Company Limited (**"STFC"**) and their respective shareholders and creditors.

2. The definitions contained in the Scheme shall apply to this Explanatory Statement.

3. Pursuant to an Order dated April 27, 2012, passed by the Hon'ble High Court of Judicature at Madras in the Company Application referred to above, the Hon'ble High Court of Judicature at Madras has waived the requirement to hold meetings of the unsecured creditors of the Applicant Company in connection with the Scheme.

4. Pursuant to an Order dated April 27, 2012, passed by the Hon'ble High Court of Judicature at Madras in the Company Application referred to above, meeting of the secured creditors of the Applicant Company, is being convened at Narada Gana Sabha (Main Hall), No. 314 T.T.K. Road, Alwarpet, Chennai - 600018,

Tamil Nadu on Thursday, June 14, 2012 at 12.30 P.M. for the purpose of considering and, if thought fit, approving with or without modification(s), the Scheme.

5. The Scheme envisages merger of SHMPL into the Applicant Company, such that SHMPL would cease to exist, and all assets and liabilities of SHMPL would stand transferred to the Applicant Company post merger.

6. SHMPL, an unlisted company, is a promoter of the Applicant Company and holds 41.26% equity shareholding in the Applicant Company as of March 31, 2012.

7. Upon merger of SHMPL into the Applicant Company, shares of the Applicant Company held by SHMPL would be cancelled, and shareholders of SHMPL would hold equity shares in the Applicant Company directly. The Scheme would hence, *inter-alia*, reduce shareholding tiers by enabling the shareholders of SHMPL to hold equity shares directly in the Applicant Company.

8. Accordingly, the following resolution is submitted for the approval, at the meeting of the equity shareholders of the Applicant Company:

"**RESOLVED** that pursuant to the provisions of sections 391 to 394, sections 100 to 104 and other applicable provisions, if any, of the Companies Act, 1956 and sub clause (B) of clause III of the Objects Clause of the Memorandum of Association of the Company the consent of the shareholders be and is hereby accorded for the merger of Shriram Holdings (Madras) Private Limited ("**SHMPL**") with Shriram Transport Finance Company Limited ("**Company**"), under the Scheme of Arrangement ("**Scheme**") between the Company, SHMPL and their respective shareholders and creditors, and as placed before the meeting and duly initialed by the Chairman of the meeting for the purpose of identification, to be effective on the coming into effect of the Scheme from the Appointed Date, being April 1, 2012 and subject to the confirmation of the Hon'ble High Court of Judicature at Madras, and consent of the shareholders be and is hereby accorded for all other terms of the Scheme.

RESOLVED FURTHER that subject to the confirmation of the Hon'ble High Court of Judicature at Madras and without the need for passing separate resolutions, the consent of the shareholders be and is hereby accorded to the issuance of shares by the Company, and the cancellation of the shares of the Company held by SHMPL, as contemplated in the Scheme.

RESOLVED FURTHER that Mr. Umesh Revankar and Mr. R. Sridhar be and are hereby authorised, jointly and severally, to make such alteration and changes to the Scheme as may be expedient or necessary.

RESOLVED FURTHER that Mr. Umesh Revankar, Mr. R. Sridhar Mr. Vinay Kelkar, Mr. Vivek Achwal be and are hereby authorised, jointly and severally, to take all steps necessary in connection with the following:-

(a) Filing an application with the Hon'ble High Court of Judicature at Madras, for directions for holding/ convening, or dispensing with the holding of, meetings of the shareholders / creditors of the Company;

(b) Filing petitions for confirmation of the Scheme by the Hon'ble High Court of Judicature at Madras;

(c) To do all acts and things as may be considered necessary and expedient in relation thereto (including the convening and conduct of General Meetings, as may be directed by the Hon'ble High Court of Judicature at Madras) and for that purpose to engage counsel;

(d) To take all necessary actions in this regard and take all necessary steps as are required for the implementation of the Scheme in all respects whatsoever and for obtaining the requisite approvals and/ or orders from the concerned authorities, including Stock Exchanges and the Courts respectively;

(e) To sign all the papers, documents, writings, applications, petitions, affidavits, representations, pleadings, etc. which are required to be signed, executed, delivered for carrying into effect the said Scheme in all respects whatsoever and/ or for obtaining directions (including but not limited to from the Hon'ble High Court of Judicature at Madras) and to deliver a certified copy of this resolution to any concerned party or authorities and for this purpose, to appear in person and/or represent the Company before the Courts or any other authority"

9. The Board of Directors of SHMPL and the Applicant Company have in their respective Board Meetings, both held on December 21, 2011, approved and adopted the proposed Scheme, a copy whereof is sent herewith. The proposed Scheme under Sections 391 and 394 and Sections 100 to 104 of the Companies Act, 1956 is deemed to form part of this statement.

10. Background of the Companies

10.1 Shriram Transport Finance Company Limited

(a) STFC, the Applicant Company, was incorporated on June 30, 1979 under the provisions of the Companies Act, 1956 with the Registrar of Companies, Tamil Nadu with the name styled as 'Shriram Transport Finance Company Limited'. It obtained Certificate of Commencement of business on October 9, 1979. Subsequently, it obtained a certificate of registration dated September 4, 2000 bearing registration no. A-07-00459 issued by the Reserve Bank of India to carry on the activities of a Non-Banking Financial Company under Section 45IA of the Reserve Bank of India Act, 1934, which has been renewed on April 17, 2007 (bearing registration no. 07-00459)

(b) The registered office of the Applicant Company was changed from 123, Anagappa Naiken Street, Chennai - 600001, Tamil Nadu to its present address at 3rd Floor, Mookambika Complex, No. 4, Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu.

(c) The Applicant Company, a listed company, is one of the leading non-banking financial companies of India and is engaged in the business of providing asset financing in India with a niche presence in financing pre-owned trucks and small truck owners. The main objects for which the Applicant Company has been established are set out in its Memorandum of Association.

(d) The authorized, issued, subscribed and paid up share capital of the Applicant Company as of March 31, 2012 is as follows:

PARTICULARS	AMOUNT (Rs)
AUTHORISED CAPITAL	
33,50,00,000 equity shares of Rs 10 each	3,35,00,00,000
2,00,00,000 preference shares of Rs 100 each	2,00,00,00,000
ISSUED AND SUBSCRIBED CAPITAL	
22,63,48,568 equity shares of Rs 10 each	2,26,34,85,680
PAID-UP CAPITAL	
22,63,00,568 equity shares of Rs 10 each	2,26,30,05,680
Add: 48,000 equity shares of Rs 10 each (Rs 5 each paid up forfeited)	2,40,000
Total	2,26,32,45,680

(e) The equity shares of the Applicant Company are listed on the BSE Limited **("BSE")** and the National Stock Exchange of India Limited **("NSE")**. Subsequent to March 31, 2012, there has been no change in the authorized, issued, subscribed and paid-up capital of the Applicant Company.

10.2 Shriram Holdings (Madras) Private Limited

(a) SHMPL was incorporated on April 19, 1993 under the provisions of the Companies Act, 1956 with the Registrar of Companies, Madras in the name and styled as 'Rambal Holdings Private Limited'. The name of the company was changed to 'Shriram Holdings (Madras) Private Limited' on February 11, 1994.

(b) The registered office of SHMPL is situated at 4th Floor, Mookambika Complex, No. 4, Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu.

(c) SHMPL, an unlisted company, is the promoter of the Applicant Company, holding 41.26% shareholding therein as of March 31, 2012, and is not engaged in any other business. SHMPL's income typically comprises of dividend or other income from the said investment in the Applicant Company. The objects for which SHMPL has been established are set out in the Memorandum of Association of SHMPL.

(d) The authorized, issued, subscribed and paid up share capital of SHMPL as on March 31, 2012 is as follows:

PARTICULARS	AMOUNT (Rs)
AUTHORISED CAPITAL	
6,05,03,000 equity shares of Rs 10 each	60,50,30,000
1,49,700 preference Shares of Rs.100 each	1,49,70,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	
3,71,89,058 equity shares of Rs 10 each	37,18,90,580
Total	37,18,90,580

(e) The equity shares of SHMPL are not listed on any stock exchange. Subsequent to March 31, 2012, there has been no change in the authorized, issued, subscribed and paid-up capital of SHMPL.

11. Rationale and benefits

The background, circumstances and benefits which justify the proposed Scheme are inter-alia as follows:

11.1 SHMPL is an unlisted company, and holds 41.26 % equity shareholding in the Applicant Company as of March 31, 2012.

11.2 SHMPL's equity share capital is held by Shriram Capital Limited **("SCL")** (50.17%), Newbridge India Investments II Limited **("Newbridge India")** (49%) and Tanglewood Financial Advisors Private Limited (0.83%).

11.3 SHMPL is the Promoter of the Applicant Company, SCL is part of Promoter Group, and Newbridge India is disclosed as Person Acting in Concert for the purposes of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

11.4 The amalgamation of SHMPL into the Applicant Company is being undertaken to, inter alia, reduce shareholding tiers, optimize shareholding costs and enable the shareholders of SHMPL to hold equity shares directly in the Applicant Company.

11.5 There is no likelihood that interests of any shareholder or creditor of either SHMPL or the Applicant Company would be prejudiced as a result of the Scheme.

12. Salient features of the Scheme

12.1 The Scheme shall come into legal operation from the Appointed Date, which is April 1, 2012 though it shall be effective from the Effective Date.

12.2 Pursuant to the Scheme, the SHMPL Undertaking (as defined in the Scheme), comprising all of the assets and liabilities of SHMPL shall be transferred to and vested in and/ or be deemed to be transferred to and vested in the Applicant Company as a going concern so as to become as and from the Appointed Date the assets and liabilities of the Applicant Company and to vest in the Applicant Company all the rights, title, interest or obligations of the SHfMPL Undertaking therein.

12.3 Upon the Scheme coming into effect, the investment in equity share capital of the Applicant Company as appearing in the books of accounts of SHMPL as on the Effective Date shall stand cancelled. The cancellation shall be effected as an integral part of the Scheme. Accordingly, the issued, subscribed and paid-up equity share capital of the Applicant Company shall be reduced by an amount of Rs 93,37,15,120 (Rupees Ninety three crores thirty seven lakhs fifteen thousand one hundred twenty only) being the face value of 9,33,71,512 (Nine crores thirty three lakhs seventy one thousand five hundred and twelve only) equity shares of Rs 10/- (Rupees ten) each fully paid-up.

12.4 In consideration of the amalgamation, the Applicant Company shall issue and allot equity shares **("New Equity Shares")** to each member of SHMPL whose name is recorded in the register of members of SHMPL as holding equity shares on the Specified Date in the ratio of 313:124 i.e. 313 equity shares of Rs 10 each fully paid-up of the Applicant Company to be issued for every 124 equity shares of Rs 10 each fully paid-up of SHMPL, held by the member **("Swap Ratio")**.

12.5 The New Equity Shares to be issued and allotted pursuant to Clause 12.4 shall in all respects, rank pari passu with the existing equity shares of the Applicant Company, subject to the provisions of Clause 12.7.

12.6 The New Equity Shares issued shall, subject to the provisions of the Listing Agreement and payment of the appropriate fee, be listed on the stock exchanges where the shares of the Applicant Company are listed. The Applicant Company would obtain such approvals as may be necessary for the aforesaid listing on recognized stock exchange(s) by making suitable applications in this regard.

12.7 Provision for dividend to be made by the Applicant Company

Notwithstanding anything to the contrary in the Articles of Association of the Applicant Company, both the companies agree that for the purpose of ensuring that the shareholders of SHMPL are paid dividend equivalent to the dividend ordinarily payable as if they were allotted shares in the Applicant Company on the Appointed Date itself, a provision for dividend towards New Equity Shares, for the period intervening the Appointed Date and the Effective Date, shall be created and such dividend shall be deemed to be declared and payable to the shareholders of SHMPL on a proportionate basis, upon the coming into effect of this Scheme and issue of New Equity Shares to the shareholders of SHMPL on amalgamation of SHMPL into the Applicant Company.

It is further clarified that during the aforesaid period intervening the Appointed Date and the Effective Date, the Applicant Company shall not distribute any dividend in respect of 9,33,71,512 equity shares of the company held by SHMPL, since such shares shall also be deemed to form part of New Equity Shares.

12.8 Pursuant to the Scheme, the Applicant Company shall record the assets (other than the equity shares of the Applicant Company held by SHMPL, which shall be cancelled) and liabilities of the SHMPL Undertaking vested in it pursuant to the Scheme, at fair values, in accordance with Accounting Standard - 14, notified under Companies (Accounting Standards Rules), 2006 (as amended); referred in Section 211(3C) of the Companies Act, 1956.

12.9 From the date of the approval of the Scheme by the respective Board of Directors of SHMPL and the Applicant Company (December 21, 2011), SHMPL shall not alter (whether increase or decrease) its shareholding in the Applicant Company or take any step that could adversely impact its net worth or adopt any material changes in its operations/ business without the prior written consent of the Applicant Company.

12.10 The Applicant Company undertakes to have all legal or other proceedings initiated by or against SHMPL, transferred to its name and to have the same continued, prosecuted and enforced by or against itself as the case may be, to the exclusion of SHMPL. The respective companies shall make relevant applications in that behalf to the extent permissible.

12.11 Upon the Scheme coming into effect, SHMPL shall, without any further act or deed, stand dissolved without winding up.

Members are requested to read the entire text of the Scheme to get fully acquainted with the provisions thereof. That which is stated hereinabove are brief salient features of the Scheme.

13. General

13.1 The rights and interests of the members and the creditors (secured and unsecured) of the SHMPL and the Applicant Company will not be adversely affected by the Scheme.

13.2 The Swap Ratio for the issue of equity shares of the Applicant Company to the equity shareholders of SHMPL, in consideration of merger of the SHMPL Undertaking into the Applicant Company, has been arrived at based on the recommendations of Grant Thornton India, Mumbai who have submitted a valuation report dated December 20, 2011 containing their recommendations including the Swap Ratio.

13.3 The Applicant Company has also sought and obtained a fairness opinion from Kotak Mahindra Capital Company Limited, Mumbai, a Category I Merchant Banker on the valuation carried out by Grant Thornton India, Mumbai. The said Merchant Banker after reviewing the methodology and fairness of the valuation arrived at by the valuer has opined that the valuation carried out by the valuer, and the Swap Ratio recommended, are fair. A fairness opinion dated December 21, 2011 to this effect was issued by Kotak Mahindra Capital Company Limited, Mumbai, based on various assumptions and considerations and is available for inspection and should be read in its entirety for information regarding the assumptions made and factors considered in rendering such an opinion.

13.4 The Board of Directors of the Applicant Company and SHMPL have, based on and relying upon the aforesaid expert advice and on the basis of their independent evaluation and judgment, come to the conclusion that the proposed Swap Ratio is fair and reasonable to the shareholders of the Applicant Company and SHMPL and have consequently accepted the said suggested Swap Ratio.

13.5 As at February 10, 2012, the Applicant Company has issued an aggregate of 4,89,14,908 (Four crores eighty nine lakhs fourteen thousand nine hundred and eight) Non-Convertible Secured Debentures (**"NCSD"**), including 2,36,47,434 (Two Crores Thirty Six Lakhs Forty Seven Thousand Four Hundred and Thirty Four) NCSD issued to public and 2,52,67,474 (Two Crores Fifty Two Lakhs Sixty Seven Thousand Four Hundred and Seventy Four) NCSD issued through private placements. The NCSD issued to public are of the face value Rs 1,000 (Rupees One Thousand) each and are listed on the Debt Market Segment of BSE and NSE. The privately placed NCSD further consist of 28,638 (Twenty Eight Thousand Six Hundred and Thirty Eight) NCSD of face value of Rs 10,00,000 (Rupees Ten Lakhs) each issued to institutional holders and 2,52,38,836 (Two Crores Fifty Two Lakhs Thirty Eight Thousand Eight Hundred and Thirty Six) NCSD of face value of Rs. 1,000 (Rupees One Thousand) each issued to retail investors. In case of NCSD issued to the institutional holders, 25,002 (Twenty five thousand and two) NCSD are listed on Debt segment of BSE and NCSD issued to retail investors are not listed on any stock exchange.

Post arrangement (expected) shareholding pattern of STFC as of March 31, 2012 would be:

S.No	Category of shareholder	STFC	
		Number of shares	% holding
(A)	**Promoter and Promoter Group**		
1	**Indian**		
	Individuals / Hindu Undivided Families	Nil	Nil
	Bodies Corporate	5,69,99,235	25.13%
	Any Trust (any Other)	Nil	Nil
	Sub Total (A)	**5,69,99,235**	**25.13%**
(B)	**Public shareholding**		
1	Institutions		
A	Mutual Funds / UTI	52,91,284	2.34%
B	Financial Institutions/ Banks	2,08,345	0.09%
C	Insurance Companies	Nil	Nil
D	Foreign Institutional Investors	8,87,98,540	39.15%
	Sub-Total (B)	**9,42,98,169**	**41.58%**
2	Non-institutions		
A	Bodies Corporate	5,69,39,744	25.11%
B	Individuals	1,75,30,203	7.73%
C	Any Other	10,34,085	0.45%
	Sub-Total(C)	**7,55,04,032**	**33.29%**
	Total (A) + (B) + (C)	**22,68,01,436**	**100%**

13.10 Pre & Post (expected) Scheme Capital Structure of STFC is as under

Pre Scheme Capital Structure as of March 31, 2012

PARTICULARS	AMOUNT (Rs)
AUTHORISED CAPITAL	
33,50,00,000 equity shares of Rs 10 each	3,35,00,00,000
2,00,00,000 preference shares of Rs 100 each	2,00,00,00,000
ISSUED AND SUBSCRIBED CAPITAL	
22,63,48,568 equity shares of Rs 10 each	2,26,34,85,680
PAID-UP CAPITAL	
22,63,00,568 equity shares of Rs 10 each	2,26,30,05,680
Add: 48,000 equity shares of Rs 10 each	2,40,000
(Rs 5 each paid up forfeited)	
Total	2,26,32,45,680

Post arrangement (expected) capital structure of STFC would be as under, pursuant to the Scheme as of March 31, 2012:

PARTICULARS	AMOUNT (Rs)
AUTHORISED CAPITAL	
39,70,00,000 equity shares of Rs 10 each	3,97,00,00,000
2,00,00,000 preference shares of Rs 100 each	2,00,00,00,000
ISSUED AND SUBSCRIBED CAPITAL	
22,68,49,436 equity shares of Rs 10 each	2,26,84,94,360
PAID-UP CAPITAL	
22,68,01,436 equity shares of Rs 10 each	2,26,80,14,360
Add: 48,000 equity shares of Rs 10 each	2,40,000
(Rs 5 each paid up forfeited)	
Total	2,26,82,54,360

13.11 The BSE and NSE have given their approval to the Scheme under Clause 24(f) of the Listing Agreement vide letters dated February 22, 2012 and February 23, 2012, respectively.

13.12 The Scheme does not in any way violate or override or circumscribe the provisions of the Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act, 1956, the rules, regulations and guidelines made under these Acts and the provisions of the Listing Agreement or the requirements of the Stock Exchanges where the equity shares of the Applicant Company are listed.

13.13 The Competition Commission of India has approved the Scheme vide its letter dated January 17, 2012.

13.14 There are no investigation proceedings pending under Sections 235 to 251 of the Companies Act, 1956 against SHMPL or the Applicant Company.

13.15 Under Section 391 of the Companies Act, 1956, the proposed Scheme will have to be approved by a majority in number representing three-fourths in value of the equity shareholders present and voting either in person or by proxy at the meeting. A proxy form is enclosed. It is hoped that in view of the importance of the business to be transacted, you will personally attend the meeting. The signing of the form or forms of proxy will, however, not prevent you from attending and voting in person, if you so desire.

13.16 On the Scheme being approved as per the requirements of Section 391 of the Companies Act, 1956, the Applicant Company will seek the sanction of the Hon'ble High Court of Judicature at Madras to the Scheme.

14. Inspection

The following documents will be open for inspection at the registered office of the Applicant Company on any working day (except Saturday) from 10 A.M. to 12 noon on any working day till the date of the meeting.

(a) Certified copy of the Order of the Hon'ble High Court of Judicature at Madras dated April 27, 2012, in the above company application (Company Application No. 411 of 2012) directing the convening of the meeting of the equity shareholders

(b) Memorandum and Articles of Association of SHMPL and STFC

(c) Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2011 of SHMPL and STFC; Provisional Balance Sheet of SHMPL as on February 29, 2012 and audited financial results of STFC for the year ended March 31, 2012.

(d) Scheme of Arrangement.

(e) Copy of the Board resolutions dated December 21, 2011 passed by SHMPL and STFC approving the proposed Scheme of Arrangement.

(f) Register of Directors' shareholdings of STFC

(g) Copy of the 'No-objection' letters received from the BSE and NSE pursuant to clause 24(f) of the Listing Agreement.

(h) Copy of the order of Competition Commission of India dated January 17, 2012.

(i) Copy of valuation report dated December 20, 2011 on share exchange ratio on arrangement between the SHMPL and STFC as issued by Grant Thornton India, Mumbai

(j) Copy of fairness opinion dated December 21, 2011 issued by Kotak Mahindra Capital Company Limited.

For Shriram Transport Finance Company Limited

Sd/-
Authorized Signatory

Dated at Chennai this 9th day of May 2012

Registered office : 3rd Floor, Mookambika Complex, No. 4, Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu

Email : secretarial@stfc.in

FAIRNESS OPINION

December 21, 2011

Shriram Transport Finance Company Limited
Wockhardt Towers, Level 3, West Wing
C-2, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai - 400051

Dear Sirs,

Sub: Proposed Merger of Shriram Holdings (Madras) Private Limited ("SHMPL") and Shriram Transport Finance Company Limited ("STFC" or the "Company") ("Proposed Transaction")

The Company has requested us to issue a fairness opinion **("Opinion")**, from a financial point of view of the Exchange Ratio (as defined below) in relation to the Proposed Transaction.

In arriving at our Opinion, we have reviewed historical financial and business Information and listed stock price data. We have also reviewed certain publicly available information, and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions. We have also reviewed the valuation report issued to STFC and SHMPL by Grant Thornton dated December 20, 2011 for the share exchange ratio being recommended, as 313 fully paid equity shares of STFC of face value of Rs. 10/- per share for every 124 shares of SHMPL of face value Rs 10/- per share **("the Exchange Ratio")**

In addition to above, we have had discussions with members of the management of STFC and SHMPL on the past and current business operations of the concerned businesses and have received a management representation letter from STFC and SHMPL dated December 20, 2011 **("Management Representation Letters")**.

Further, we have had discussions with Grant Thornton, the valuation advisor, on such matters which we believed were necessary or appropriate for the purpose of issuing this opinion.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge STFC and SHMPL to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and

completeness of all information supplied or otherwise made available to us either in oral or written form, discussed with or reviewed by or for us, or publicly available. We have been given to understand that all material information that was relevant for the purpose of our exercise was disclosed to us. We have not conducted any evaluation or appraisal of any assets or liabilities of STFC or SHMPL nor have we evaluated the solvency or fair value of STFC or SHMPL, under any laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of STFC or SHMPL. We have also assumed that the final Scheme of Arrangement will be substantially the same as the scheme discussed with and reviewed by us.

Our Opinion does not factor overall economic environment risk and other risks and is purely based on the Information and representations provided to us. We have not assumed the risk of any material adverse change having an impact on the businesses of STFC and SHMPL in arriving at our final Opinion.

We express no view as to, and our Opinion does not address, the underlying business decision of STFC and SHMPL to effect the Proposed Transaction or the merits of the Proposed Transaction. Our Opinion does not constitute a recommendation to any shareholder or creditor of STFC or SHMPL as to how such shareholder or creditor should vote on the Proposed Transaction or any matter related thereto. In addition, this Opinion does not address the fairness to, or any other consideration, to the creditors or other constituencies of STFC and SHMPL. Our opinion, as set forth herein relates to the relative values of STFC and SHMPL. We are not expressing any opinion herein, as to the prices at which the shares of the STFC or SHMPL will trade following the announcement or consummation of the proposed transaction or as to the prices at which the shares of STFC or SHMPL may be transacted.

Our Opinion is not and does not purport to be an appraisal or otherwise reflective of the prices at which any business or securities actually could be ideally bought or sold by any party and are not indicative of actual value or actual future results that might be achieved, which value may be higher or lower than those indicated.

Our Opinion is necessarily based on financial; economic, market and other conditions as in effect on the date of this issuing the Opinion, and the information made available to us as of the date hereof, including the capital structure of .STFC and SHMPL. It should be understood that subsequent developments may affect this Opinion and that we do not have any obligation to update, revise, or reaffirm this Opinion.

We will receive a fee for our services in connection with the delivery of this Opinion from STFC In addition, STFC has agreed to indemnify us for certain potential liabilities arising out of our Engagement Letter dated 14th Dec 2011.

We and our affiliates in the past have provided, and currently provide, services to STFC and SHMPL for which services we and such affiliates have received and expect to receive compensation, including, without

limitation as lenders and creditors and as financial advisors for the purchase/ sale of assets/ businesses by/ to STFC and SHMPL (as the case may be) and as lead managers underwriters in securities offerings of SHMPL and STFC.

In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of our customers and, accordingly, may at any time hold long or short position in such securities. In addition, we and our affiliates maintain relationships with STFC and SHMPL and their respective affiliates.

This Opinion is provided solely for the benefit of the Board of Directors of STFC and shall not confer rights or remedies upon, any shareholder of STFC, or any other person other than the members of the Board of Directors of STFC, or be used for any other purpose. This Opinion may not be used or relied upon by nor is it issued for the benefit of any third party including shareholders for any purpose whatsoever or disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. Provided however, this opinion may only be disclosed as may be required under any applicable law in India and may be kept open for inspection by shareholders of STFC, but we take no responsibility or liability for or arising out of any such disclosure. We specifically disclaim any responsibility to any third party to whom this Opinion may be shown or who may acquire a copy of this Opinion.

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion the courts of competent jurisdiction at India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, it is our view that, as of the date hereof, the proposed Exchange Ratio is fair from a financial point of view.

Yours faithfully,

Sd/-

Authorised Signatory

KOTAK MAHINDRA CAPITAL COMPANY LIMITED

SCHEME OF ARRANGEMENT

BETWEEN

SHRIRAM HOLDINGS (MADRAS) PRIVATE LIMITED ...TRANSFEROR COMPANY

AND

SHRIRAM TRANSPORT FINANCE COMPANY LIMITED ...TRANSFEREE COMPANY

UNDER SECTION 391 READ WITH SECTION 394 AND SECTIONS 100 TO 103 OF THE COMPANIES ACT, 1956 AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS IN RESPECT OF AMALGAMATION OF SHRIRAM HOLDINGS (MADRAS) PRIVATE LIMITED WITH SHRIRAM TRANSPORT FINANCE COMPANY LIMITED AND CONSEQUENTIAL MATTERS

PREAMBLE

A. PURPOSE OF THE SCHEME OF ARRANGEMENT

- This Scheme of Arrangement ("Scheme") is presented under Section 391 read with Section 394 and Sections 100 and 103 of the Companies Act, 1956 ("Act") for the transfer and vesting of the SHMPL Undertaking (defined hereinafter) with Shriram Transport Finance Company Limited ("STFC"), pursuant to the provisions of the Act.
- This Scheme also provides for various other matters consequential or otherwise integrally connected herewith.

B. RATIONALE OF THE SCHEME

- STFC, a listed company, is one of the leading non-banking finance companies of India and is engaged in the business of providing asset financing in India with a niche presence in financing pre-owned trucks and small truck owners.
- Shriram Holdings (Madras) Private Limited ("SHMPL") is an unlisted company, and holds 41.27 % equity shareholding in STFC as of December 16, 2011.
- SHMPL's equity share capital as of December 16, 2011 is held by Shriram Capital Limited ("SCL") (50.17%), Newbridge India Investments II Limited (49%) and Tanglewood Financial Advisors Private Limited (0.83%).
- SHMPL is the Promoter of STFC, SCL is part of Promoter Group, and Newbridge India Investments II Ltd is disclosed as Person Acting in Concert for the purposes of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

- The amalgamation of SHMPL into STFC is being undertaken to, *inter alia*, reduce shareholding tiers, optimize administrative costs and enable the shareholders of SHMPL to hold equity shares directly in STFC.

C. OVERVIEW OF SCHEME

With the aforesaid objectives, the Scheme is organized as follows:

Section A: General

Section B: Amalgamation of SHMPL into STFC

Section C: Issue of shares/ Accounting treatment

Section D: Other provisions

SECTION A: GENERAL

1. DEFINITIONS

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

1.1 **"Act"** means the Companies Act, 1956 or any statutory modification or re-enactment thereof.

1.2 "**Appointed Date**" means the first day of April, 2012, or such other date as may be fixed by the Hon'ble High Court.

1.3 "**SHMPL Undertaking**" shall mean and include the whole of the undertaking of SHMPL on the Appointed Date, as a going concern, including all secured and unsecured debts, liabilities, contingent liabilities, duties and obligations, and all the property of SHMPL including its assets, whether movable or immovable, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent and including but without being limited to fixed assets, current assets, investments (including but not limited to 9,33,71,512 equity shares in the Transferee Company), mutual funds, leases, licenses, telephones, telexes, facsimile connections, communication facilities, equipment and installations and utilities, electricity, water and other service connections, employees, benefits of agreements, contracts and arrangements, approvals, certifications, balances with all regulatory authorities, liberties, advantages, easements and all the right, title, interest, goodwill, benefit and advantage, deposits, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts and all other rights, claims and powers, of whatsoever nature and wheresoever situated belonging to or in the possession of or granted in favour of or held for the benefit of or enjoyed by SHMPL.

It is intended that the definition of SHMPL Undertaking under this Clause would enable the transfer of all property, assets, liabilities, employees of SHMPL to STFC pursuant to this Scheme.

1.4 **"Effective Date"** means the last of the dates on which all the conditions and matters referred to in Clause 18 hereof have been fulfilled. References in this Scheme to the date of "coming into effect of this Scheme" or "upon the Scheme becoming effective" shall mean the Effective Date.

1.5 **"High Court"** shall mean the High Court of Judicature at Madras.

1.6 **"Scheme of Arrangement"** or **"this Scheme"** or **"the Scheme"** means this Scheme of Arrangement in its present form or with any modifications made under Clause 20 of the Scheme.

1.7 **"Specified Date"** means the date to be fixed by the Board of Directors, or a committee thereof, of STFC for the purpose of determining the respective members of SHMPL to whom shares will be allotted pursuant to Clause 7.2 of this Scheme.

1.8 **"Transferee Company"** or **"STFC"** means Shriram Transport Finance Company Limited, a company incorporated under the Act and having its registered office at Mookambika Complex, 3rd floor, No.4, Lady Desika Road, Mylapore, Chennai (Madras) 600004.

1.9 **"Transferor Company"** or **"SHMPL"** means Shriram Holdings (Madras) Private Limited, a company incorporated under the Act and having its registered office at Mookambika Complex, IV floor, No.4, Lady Desika Road, Mylapore, Chennai (Madras) 600004, Tamil Nadu, India.

2. EXPRESSIONS NOT DEFINED IN THIS SCHEME

The expressions which are used in this Scheme and not defined in this Scheme, shall, unless repugnant or contrary to the context or meaning hereof, have the same meaning ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye-laws, as the case may be, or any statutory modification of re-enactment thereof from time to time. In particular, wherever reference is made to High Court(s) in the Scheme, the reference would include, if appropriate, reference to the National Company Law Tribunal or such other forum or authority as may be vested with the powers of the Hon'ble High Court under the Act.

3. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme shall come into legal operation from the Appointed Date, though it shall be effective from the Effective Date.

4. SHARE CAPITAL

(i) The authorised, issued, subscribed and paid up capital of SHMPL as on September 30, 2011 is as follows:

PARTICULARS	AMOUNT (Rs)
AUTHORISED CAPITAL	
6,05,03,000 equity shares of Rs 10 each	60,50,30,000
1,49,700 preference Shares of Rs.100 each	1,49,70,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	
3,71,89,058 equity shares of Rs 10 each	37,18,90,580

(ii) The authorised, issued, subscribed and paid up capital of STFC as on September 30, 2011 is as follows:

PARTICULARS	AMOUNT (Rs)
AUTHORISED CAPITAL	
33,50,00,000 equity shares of Rs 10 each	3,35,00,00,000
2,00,00,000 preference shares of Rs 100 each	2,00,00,00,000
ISSUED AND SUBSCRIBED CAPITAL	
22,62,69,668 equity shares of Rs 10 each	2,26,26,96,680
PAID-UP CAPITAL	
22,62,21,668 equity shares of Rs 10 each	2,26,22,16,680
Add: 48,000 equity shares of Rs 10 each	
(Rs 5 each paid up forfeited)	2,40,000
Total	2,26,24,56,680

The equity shares of STFC are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. At the time of approval of the Scheme by the Board of Directors on December 21, 2011, STFC's application dated January 14, 2011, to Madras Stock Exchange for delisting its equity shares from Madras Stock Exchange was in progress. The equity shares of STFC have been subsequently delisted, and STFC's name has been removed from the list of Listed Securities of the Madras Stock Exchange, with effect from December 22, 2011.

Notwithstanding anything else contained in this Scheme, during the pendency of the Scheme, STFC is expressly authorized to raise capital *for the purpose of fuelling its growth* or any other purpose, in any manner as considered suitable by the Board of Directors of STFC, whether by means of rights issue, preferential issue, public issue or any other manner whatsoever. Further, such funds may be raised by means of any instrument considered suitable by the Board of Directors of STFC, including equity/ equity linked instruments, convertible/ non convertible bonds, debentures, debt, depository receipts etc.

5. COMPLIANCE WITH TAX LAW

This Scheme, in so far as it relates to the merger of SHMPL into STFC, has been drawn up to comply with the conditions relating to "Amalgamation" as specified under the tax laws, including Section 2(1B) of the Income Tax Act, 1961 and other relevant Sections (including Section 47) of the Income Tax Act, 1961, which include the following:

a. all the property of the amalgamating company or companies immediately before the amalgamation becomes the property of the amalgamated company by virtue of the amalgamation;

b. all the liabilities of the amalgamating company or companies immediately before the amalgamation become the liabilities of the amalgamated company by virtue of the amalgamation; and

c. shareholders holding not less than three-fourths in value of the shares in the amalgamating company or companies (other than shares already held therein immediately before the amalgamation by, or by a nominee for, the amalgamated company or its subsidiary) become shareholders of the amalgamated company by virtue of the amalgamation, otherwise than as a result of the acquisition of the property of one company by the other company pursuant to the purchase of such property by the other company or as a result of the distribution of such property to the other company after the winding up of the first mentioned company and other relevant Sections (including Section 47) of the Income Tax Act, 1961.

SECTION B: AMALGAMATION OF SHMPL INTO STFC

6. TRANSFER OF SHMPL UNDERTAKING

6.1 Upon the Effective Date, SHMPL Undertaking, comprising all assets and liabilities of whatsoever nature and wheresoever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, including any statutory re-enactments thereof, without any further act or deed, be transferred to and vested in and/ or be deemed to be transferred to and vested in STFC as a going concern so as to become as and from the Appointed Date the assets and liabilities of STFC and to vest in STFC all the rights, title, interest or obligations of SHMPL Undertaking therein. As regards transfer of specified movable assets, Clauses 6.2.1 and 6.2.2 below provide for the physical mode of effecting transfer.

6.2 Without prejudice to the generality of the foregoing, with effect from the Appointed Date:

6.2.1 Any and all movable assets including cash in hand or incorporeal property, if any, of SHMPL Undertaking, capable of passing by manual delivery or by endorsement and delivery, shall be so delivered or endorsed and delivered, by actual or constructive delivery, as the case may be, to Transferee Company without any further act, instrument or deed, and shall upon such transfer become the property and an integral part of the Transferee Company. Such delivery shall be made within thirty days from the Effective Date.

6.2.2 In respect of movables other than those specified in Clause 6.2.1 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances, deposits and balances, if any, with Government, Semi-Government, local and other authorities and bodies, customers and other persons, it shall not be necessary to obtain the consent of any third party or other person in order to give effect to the provisions of this Scheme, and such transfer shall be automatically effected, or in any manner as may be mutually agreed by SHMPL and STFC, from the Effective Date.

6.2.3 Any and all immovable properties, if any, owned or held by the Transferor Company, and any documents of title, rights and easements, if any, held by the Transferor Company thereto shall without any further act, instrument or deed be transferred to and/or vested in and/or be deemed to have been transferred to and vested in the Transferee Company and shall belong to the Transferee Company.

6.2.4 Any and all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of SHMPL Undertaking shall also, under the provisions of Sections 391 to 394 of the Act, without any further act or deed, be transferred to or be deemed to be transferred to Transferee Company so as to become the debts, liabilities, contingent liabilities, duties and obligations of Transferee Company 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.

6.2.5 Any and all bank accounts of the Transferor Company shall be transferred to and continued to be operated as the bank accounts of the Transferee Company and till such time the names of the bank accounts of the Transferor Company are replaced with that of the Transferee Company, the Transferee Company shall be entitled to give instructions and operate the bank accounts of the Transferor Company in the name of the Transferor Company, in so far as may be necessary.

6.3 The transfer and vesting of the SHMPL Undertaking as aforesaid shall be subject to the existing securities, hypothecation, charges and mortgages, if any, subsisting over or in respect of the property and assets or any part thereof of SHMPL.

6.4 Loans or other obligations, if any, due between or amongst SHMPL Undertaking and Transferee Company as on the Effective Date shall stand discharged and there shall be no liability/ obligation in that behalf.

6.5 With effect from the Effective Date, the borrowing limits of Transferee Company 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 SHMPL Undertaking which are being transferred to Transferee Company pursuant to the Scheme, such limits being incremental to the existing limits of Transferee Company, with effect from the Effective Date.

6.6 For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that in accordance with the provisions of relevant laws, consents, permissions, licenses, registrations, certificates, authorities, powers of attorneys given by, issued to or executed in favour of SHMPL, and the rights and benefits under the same and all other interests of the SHMPL Undertaking, be without any further act or deed, be transferred to and vested in STFC.

6.7 For the avoidance of doubt, it is clarified that all rights and benefits of STFC under its approvals, titles, consents, permissions, licenses, registrations, certificates, authorities, powers of attorneys etc and all certifications and approvals, trademarks, licenses, patents and domain names, copyrights and other intellectual property and all other interests shall remain preserved and in full force and effect without any further act, instrument or deed and shall not be adversely affected in any manner on account of this Scheme or any consequential steps.

SECTION C ISSUE OF SHARES/ ACCOUNTING TREATMENT

7. ISSUE OF SHARES

7.1 Upon the requisite sanction and orders of the Hon'ble High Court approving the Scheme, the Board of Directors of STFC shall fix the Specified Date in accordance with Clause 1.7.

7.2 Upon the coming into effect of the Scheme and in consideration of the amalgamation of SHMPL Undertaking into the Transferee Company pursuant to this Scheme, the Transferee Company shall, without any further act or deed and without any further payment, issue and allot equity shares of Rs 10 each (**"New Equity Shares on Amalgamation"**) to each member of SHMPL whose name is recorded in the register of members of SHMPL as holding equity shares on the Specified Date in the ratio of 313:124 i.e. 313 equity shares of Rs 10 each fully paid-up of the Transferee Company to be issued for every 124 equity shares of Rs 10 each fully paid-up of SHMPL, held by the member ("**Swap Ratio**").

7.3 The aforesaid Swap Ratio shall be suitably adjusted for any changes in the share capital position as mentioned above, whether by means of a fresh issue of shares, bonus issue, split of shares, consolidation of shares, capital reduction, re-classification of shares or any other corporate action. All such adjustments to the Swap Ratio shall be deemed to be carried out as an integral part of this Scheme, and the resultant share exchange ratio shall be adopted in Clause 7.2 without any further act or deed, upon agreement in writing by both the Transferor Company and the Transferee Company.

Other terms

7.4 The New Equity Shares on Amalgamation to be issued and allotted pursuant to Clause 7.2, shall in all respects, rank *pari passu* with the existing equity shares of the Transferee Company, subject to the provisions of Clause 7.5.

7.5 Provision for dividend to be made by the Transferee Company

Notwithstanding anything to the contrary in the Articles of Association of the Transferee Company, the Transferor Company and the Transferee Company agree that for the purpose of ensuring that the shareholders of the Transferor Company are paid dividend equivalent to the dividend ordinarily payable as if they were allotted shares in the Transferee Company on the Appointed Date itself, the Transferee Company shall, when declaring dividends (including interim dividend), if any, on or after the Appointed Date, set aside a provision for dividend towards New Equity Shares on Amalgamation ("**New Equity Shares Dividend**") and such New Equity Shares Dividend shall be deemed to be declared and payable to the shareholders of the Transferor Company on a proportionate basis, upon the coming into effect of this Scheme and issue of New Equity Shares on Amalgamation.

It is further clarified that during the aforesaid period commencing from the Appointed Date, the Transferee Company shall not distribute any dividend in respect of 9,33,71,512 equity shares of Transferee Company held by Transferor Company, since such shares shall also be deemed to form part of New Equity Shares on Amalgamation and such dividend shall be part of New Equity Shares Dividend.

Notwithstanding the above, the Transferor Company and Transferee Company shall mutually discuss and explore alternative mechanisms, and implement the optimum structure for giving effect to New Equity Shares Dividend payout by Transferee Company and/ or any other corporate actions (including rights issues by Transferee Company) after Appointed Date in respect of New Equity Shares on Amalgamation, in compliance with prevailing laws.

7.6 Fractional shares, if any, shall be rounded off to the nearest integer.

7.7 The New Equity Shares on Amalgamation to be issued and allotted in terms hereof will be subject to the Memorandum and Articles of Association of the Transferee Company, except in respect of Clause 7.5, wherein the provisions of this Scheme shall prevail, as may be deemed necessary.

7.8 The Transferee Company and the shareholders of SHMPL shall, if and to the extent required, apply for and obtain any approvals from the concerned regulatory authorities for the issue and allotment by the Transferee Company of New Equity Shares on Amalgamation.

7.9 The New Equity Shares on Amalgamation of the Transferee Company issued in terms of Clause 7.2 shall, subject to the provisions of the Listing Agreement and payment of the appropriate fee, be listed on the stock exchanges where the shares of the Transferee Company are listed. The Transferee Company would obtain such approvals as may be necessary for the aforesaid listing on recognized stock exchange(s) by making suitable applications in this regard.

7.10 New Equity Shares on Amalgamation to be issued by the Transferee Company pursuant to Clause 7.2 of this Scheme, in respect of any equity shares of SHMPL which are held in abeyance under the provisions of Section 206A of the Act or otherwise, shall pending allotment or settlement of dispute by order of Court or otherwise be held by the trustees appointed by the Transferee Company.

7.11 As regards the allotment of shares pursuant to Clause 7.2, each member of SHMPL shall have the option to exercise, by giving a notice to the Transferee Company, on or before such date as may be determined by the Board of the Transferee Company, to receive the shares either in physical

certificate form or in dematerialized form. In the event the Transferee Company does not receive such notice or requisite details in respect of any member, the Transferee Company may allot shares in dematerialized form to the extent it has the necessary details of the account holder for issue of shares in dematerialized form and in respect of other members, issue share certificates in physical form. In respect of those members exercising the option to receive the shares in dematerialized form, such members shall have opened and maintained an account with a depository participant, and shall provide such other confirmation, information and details as may be required.

7.12 The shares or the share certificate of the Transferor Company in relation to the shares held by its members shall, without any further application, act, instrument or deed, be deemed to have been automatically cancelled and be of no effect on and from the Specified Date.

8. ACCOUNTING TREATMENT

Accounting for Amalgamation of SHMPL

8.1 Treatment in the books of STFC

8.1.1 Upon the Scheme becoming effective, the Transferee Company shall record the assets (other than the equity shares of Transferee Company held by Transferor Company, which shall be cancelled pursuant to Clause 8.2) and liabilities of SHMPL Undertaking vested in it pursuant to the Scheme, at fair values, in accordance with Accounting Standard 14, notified under Companies (Accounting Standards Rules), 2006 (as amended); referred in Section 211(3C) of the Act.

8.1.2 STFC shall credit, to its Share Capital Account, the aggregate face value of the New Equity Shares issued on Amalgamation, pursuant to Clause 7.2 of the Scheme.

8.1.3 STFC shall credit to its Capital Reserve to the extent of aggregate of:

(i) The excess, if any, of the fair value over the face value of the "New Equity Shares on Amalgamation, duly reduced by equity share capital of Transferee Company cancelled pursuant to Clause 8.2"; and

(ii) Difference of fair value of the assets of SHMPL over aggregate of (a) fair value of the liabilities of SHMPL vested in Transferee Company pursuant to this Scheme and as recorded in the books of account of Transferee Company and (b) fair value of "New Equity Shares on Amalgamation, duly reduced by equity share capital of Transferee Company cancelled pursuant to Clause 8.2".

In the event the result of the above is negative, a "Goodwill" account shall be created in the books of account of the Transferee Company. Such Goodwill shall be amortized over a period not exceeding five years, in accordance with Accounting Standard 14, notified under Companies (Accounting Standards Rules), 2006 (as amended); referred in Section 211(3C) of the Act.

8.1.4 In case of any differences in accounting policy between SHMPL and STFC, the impact of the same will be quantified and adjusted against the Reserves and Surplus of STFC, to ensure that the financial statements of STFC reflect the financial position on the basis of consistent accounting policy.

8.1.5 Any expense borne by STFC in connection with the Scheme will be charged to the Profit & Loss Account immediately.

Other terms

8.2 Upon the Scheme coming into effect, the investment in equity share capital of Transferee Company as appearing in the books of account of Transferor Company as on the Effective Date shall stand cancelled. The cancellation shall be effected as an integral part of the Scheme. Accordingly, the issued, subscribed and paid-up equity share capital of the Transferee Company shall be reduced by an amount of Rs 93,37,15,120 (Rupees Ninety three crores thirty seven lakhs fifteen thousand one hundred twenty only) being the face value of 9,33,71,512 (Nine crores thirty three lakhs seventy one thousand five hundred and twelve only) equity shares of Rs 10/- (Rupees ten) each fully paid-up held by the Transferor Company in the Transferee Company.

8.3 In this regard, it is hereby clarified that the Order of the Hon'ble High Court (s) would be deemed for all purposes to be an Order under Section 100/ 102 of the Act. Further, since the aforesaid reduction contemplated in respect of STFC would not involve either a diminution of liability in respect of the unpaid share capital or payment of paid up share capital, the provisions of Section 101 of the Act, shall not be applicable. The necessary approvals to be obtained by STFC from their respective shareholders and creditors, as required, for the Scheme shall always be deemed to include the approval / consents required to be obtained under Section 100 of the Act and STFC shall not, nor shall be obliged to, call for a separate meeting of its shareholders and creditors for obtaining their approval sanctioning the reduction, as contemplated herein.

8.4 Notwithstanding the reduction in capital of STFC as aforesaid, given the strong financial position of STFC and the fact that the share capital of STFC stands fully reinstated post merger, the company shall not be required to add "and reduced" as suffix to its name.

8.5 To the extent that there are inter-corporate loans or balances between SHMPL and STFC, the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of account and records of STFC for the increase or reduction of any assets or liabilities, as the case may be.

8.6 Notwithstanding the above, the Board of Directors of STFC, in consultation with its Statutory Auditors, is authorised to account for any of these balances in any manner whatsoever, as may be deemed fit, in accordance with the prescribed Accounting Standards issued by The Institute of Chartered Accountants of India and generally accepted accounting principles.

SECTION D - OTHER PROVISIONS

9. CONDUCT OF BUSINESS

From the date of the approval of the Scheme by the respective Board of Directors of SHMPL and STFC, SHMPL shall not alter (whether increase or decrease) its shareholding in STFC or take any step that could adversely impact its networth or adopt any material changes in its operations/business without the prior written consent of STFC.

10. LEGAL PROCEEDINGS

10.1 All legal or other proceedings (including before any statutory or quasi-judicial authority or tribunal) of whatsoever nature by or against SHMPL under any statute, pending and/or arising before the

Effective Date shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against STFC, as the case may be in the same manner and to the same extent as would or might have been continued and enforced by or against SHMPL.

10.2 In the event that the legal proceedings referred to herein require the Transferor Company and/or the Transferee Company to be jointly treated as parties thereto, the Transferee Company shall be added as party to such proceedings and shall prosecute or defend such proceedings in co-operation with the Transferor Company.

10.3 STFC undertakes to have all legal or other proceedings initiated by or against SHMPL referred to in Clause 10.1 above transferred into its name and to have the same continued, prosecuted and enforced by or against itself as the case may be, to the exclusion of SHMPL. The respective companies shall make relevant applications in that behalf to the extent permissible.

10.4 On and from the Effective Date, the Transferee Company may, if required, initiate any legal proceedings in relation to the rights, title, interest, obligations or liabilities or any nature whatsoever, whether under contract or law or otherwise, of the Transferor Company and to the same extent as would or might have been initiated by the Transferor Company.

11. CONTRACTS AND DEEDS

11.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements, insurance policies and other instruments, if any, of whatsoever nature to which SHMPL is a party and subsisting or having effect on the Effective Date shall be in full force and effect against or in favour of STFC, as the case may be, and may be enforced by or against STFC as fully and effectually as if, instead of SHMPL, STFC had been a party thereto. STFC may enter into and/ or issue and/ or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which SHMPL will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or if so considered necessary. STFC shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of SHMPL, as the case may be, and to implement or carry out all formalities required on the part of SHMPL to give effect to the provisions of this Scheme. It is clarified that any inter-se contracts between SHMPL and STFC as on the Effective Date shall stand merged and vest in STFC.

12. SAVING OF CONCLUDED TRANSACTIONS

To the extent applicable, the transfer and vesting of the assets, liabilities and obligations of SHMPL and the continuance of proceedings by or against STFC shall not affect any transaction or proceedings already concluded or initiated by SHMPL on or before the date when SHMPL adopts the Scheme in its Board meeting, and after the date of such adoption till the Effective Date, to the end and intent that STFC accepts and adopts all acts, deeds and things done and executed by SHMPL in respect thereto as done and executed on behalf of itself, wherever necessary.

13. DISSOLUTION OF SHMPL

Upon the Scheme coming into effect, SHMPL shall, without any further act or deed, stand dissolved without winding up.

14. STAFF AND EMPLOYEES

14.1 On the Scheme coming into effect, all staff and employees of SHMPL in service on such date shall be deemed to have become staff and employees of STFC without any break in their service and on the basis of continuity of service and the terms and conditions of their employment with STFC shall not be less favourable than those applicable to them with reference to SHMPL on the Effective Date.

14.2 Upon the Scheme coming into effect, the existing Provident Fund, Gratuity Fund, Leave Encashment scheme and/ or other schemes, created by SHMPL, if any, for its employees shall be transferred to STFC. It is clarified that the services of the staff, workmen and employees of SHMPL will be treated as having been continuous for the purpose of the said fund or funds.

15. TAXES

Upon the Scheme coming into effect, if required, STFC is expressly permitted to revise its income tax returns, VAT/ sales tax returns, service tax returns and other returns filed under the tax laws and claim benefit of refunds, advance tax credits including MAT credits, VAT credits, service tax credits and withholding tax credits etc, pursuant to the provisions of this Scheme.

16. NO CHANGE TO BE EFFECTED IN CAPITAL STRUCTURE

SHMPL shall not make any change in its capital structure (by way of issue of bonus shares, convertible debentures, detachable warrants, equity or preference shares, options and calls, fresh issue of rights shares, secured premium notes, zero interest bonds, or any other instruments of raising capital) through any increase, decrease, reduction, reclassification, sub-division, consolidation, re-organization, or in any other manner, without the express written consent of the Board of STFC.

17. APPLICATION TO HIGH COURT AND OTHER AUTHORITY

17.1 SHMPL and STFC shall, with all reasonable dispatch, make applications to the Hon'ble High Court of Judicature at Madras under Section 391 of the Act, seeking orders for dispensing with or convening, holding and conducting of the meetings of the respective classes of the members and/or creditors of SHMPL and STFC as may be directed by the Hon'ble High Court (s).

17.2 On the Scheme being agreed to by the requisite majorities of the classes of the members and/or creditors, SHMPL and STFC shall, with all reasonable dispatch, apply to the Hon'ble High Court (s) for sanctioning the Scheme under Sections 391 and 394 of the Act, and for such other order or orders, as the Hon'ble High Court may deem fit for carrying this Scheme into effect.

18. CONDITIONALITY OF SCHEME

18.1 The Scheme is conditional upon and subject to:

(a) the Scheme being agreed to by the respective requisite majorities of members and creditors (where applicable) of SHMPL and STFC as may be required;

(b) the Scheme being approved by the Hon'ble High Court of Madras;

(c) such other sanctions and approvals including sanctions of any statutory or regulatory authority, as may be required in respect of the Scheme, being obtained; and

(d) certified copies of above orders of the Hon'ble High Court being filed with the jurisdictional Registrar of Companies by SHMPL and STFC.

19. EFFECT OF NON APPROVALS

19.1 In the event any of the said sanctions and approvals referred to in Clause 18 above not being obtained and/ or the Scheme not being passed as aforesaid before December 31, 2012 or within such other period or periods as may be agreed upon between STFC by its Directors and SHMPL by its Directors (and which the Board of Directors are hereby empowered and authorised to agree to modify from time to time without any limitations), this Scheme shall stand revoked, cancelled and be of no effect and null and void save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as may otherwise arise in law and in such event each party shall bear their respective costs, charges and expenses in connection with the Scheme.

19.2 If any part or section of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the respective Boards of SHMPL and STFC, as the case may be, affect the adoption or validity or interpretation of the other parts and/or provisions of this Scheme.

20. MODIFICATION, AMENDMENT OR WITHDRAWAL

20.1 SHMPL and STFC (by their Directors or their committee thereof) may assent to any modification(s) or amendment(s) in this Scheme which the Hon'ble High Court and/or any other Authority may deem fit to direct or impose or which may otherwise be considered necessary or desirable for implementing and/or carrying out the Scheme or which may be considered necessary due to any change in law and SHMPL and STFC (by their Directors or their committee thereof) be and are hereby authorized to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and to resolve any doubts, difficulties or questions whether by reason of any orders of the Hon'ble High Court or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith.

20.2 The expression 'any other Authority' in the preceding sub-clause shall include Securities and Exchange Board of India (SEBI) and the stock exchanges with which the shares of STFC are listed and with which a copy of this Scheme is filed in terms of the Listing Agreement.

20.3 SHMPL and STFC (by their Directors or their committee thereof) may, at any time prior to the sanction of the Scheme by the High Court, withdraw the Scheme, and upon such withdrawal none of the actions to be taken pursuant to the Scheme will be required to be taken, and all actions taken, if any, to give effect to the Scheme will be deemed to not have been taken, and the Scheme shall be deemed to be null and void.

21 MERGER OF AUTHORIZED SHARE CAPITAL OF TRANSFEROR COMPANY

21.1 Upon the Scheme becoming effective, the authorized share capital of SHMPL shall stand transferred to and be merged with the authorized share capital of STFC, without any liability for payment of any additional fees (including fee to registrar of companies) or stamp duty.

21.2 Upon the Scheme becoming effective (and consequent to transfer of the existing authorized share capital of SHMPL in accordance with Clause 21.1 above), the authorized share capital of STFC of Rs 5,350,000,000 (divided into 335,000,000 equity shares of Rs 10 each; 18,000,000 Preference shares of Rs 100 each and 2,000,000 Cumulative Redeemable Preference Shares of Rs 100 each) shall stand enhanced by an aggregate amount of Rs 620,000,000 and the entire authorized share capital of SHMPL so transferred shall all be classified as equity share capital of STFC. Accordingly, Clause V of the Memorandum of Association and Article 3 of Articles of Association of STFC shall stand modified and reclassified as necessary and be substituted by the following:

"The Authorized Capital of the Company is Rs 5,970,000,000 (Rupees Five Hundred Ninety Seven Crores only) divided into 397,000,000 (Thirty Nine Crores Seventy Lakhs) equity shares of Rs 10/- (Rupees ten) each; 18,000,000 (One crore eight lakhs) Preference shares of Rs 100/- (Rupees One Hundred) each and 2,000,000 (Twenty lakhs) Cumulative Redeemable Preference Shares of Rs 100/- (Rupees One Hundred) each with power to the Company to divide the shares in the capital for the time being into several classes, to issue the new shares upon such terms and conditions and to attach thereto such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Companies Act, 1956 and to vary, modify, amalgamate, abrogate any such rights, privileges, conditions in such manner as may be provided by the Companies Act, 1956"

21.3 It is hereby clarified that the consent of the shareholders of SHMPL and STFC to the Scheme shall be sufficient for purposes of effecting this amendment in the Memorandum of Association of STFC and that no further resolution under Sections 16, 31, 94 and 97 or any other applicable provisions of the Act, would be required to be separately passed, nor any additional registration fee, stamp duty, etc, be payable by STFC.

22. COSTS, CHARGES AND EXPENSES

All costs, charges, taxes including duties (including the stamp duty and/ or transfer charges, if any, applicable in relation to this Scheme), levies and all other expenses, if any (save as expressly otherwise agreed) arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne and paid by the parties as may be mutually agreed.

IN THE HIGH COURT OF JUDICATURE AT MADRAS ORDINARY ORIGINAL CIVIL JURISDICTION

COMPANY APPLICATION NO. 411 OF 2012

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

In the matter of Sections 391 to 394 and Sections 100 and 104 of the Companies Act, 1956 AND

In the matter of the Scheme of Arrangement between Shriram Holdings (Madras) Private Limited and Shriram Transport Finance Company Limited

Shriram Transport Finance Company Limited a company incorporated under the provisions of Companies Act, 1956, and having its registered office at 3rd Floor, Mookambika Complex, No. 4, Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu.

Represented by
Mr S. Venkatakrishnan

... Applicant/
Transferee Company

FORM OF PROXY

I/ We _____ the undersigned equity shareholder(s) of Shriram Transport Finance Company Limited, the Applicant Company, hereby appoint _____ of _____ and failing him/ her _____ of _____ as my/ our Proxy to act for me/ us at the meeting of equity shareholders of the Applicant Company, to be held at Narada Gana Sabha (Main Hall), No. 314, T.T.K. Road, Alwarpet, Chennai - 600018, Tamil Nadu on Thursday June 14, 2012, at 10.30 A.M. for the purpose of considering and, if thought fit, approving, with or without modifications, the proposed Scheme of Arrangement between Shriram Holdings (Madras) Private Limited and Shriram Transport Finance Company Limited, at such meeting and any adjournment(s) thereof, to vote, for me/ us, and in my/ our name(s) _____ (here, "if for" insert "for", "if against" insert "against", and in the latter case, strike out the words appearing after "Scheme of Arrangement") the said Scheme of Arrangement either with or without modifications as my/ our proxy may approve.

[Strike out what is not necessary]

Dated this _____ day of _____ 2012

Affix Revenue Stamp

Name: .....

Address: .....

.....

(For Demat holding) DP ID No.: ..... Client ID No.: .....

(For Physical holding) Folio No.: ..... No. of share(s) held: .....

Signature of Shareholders: Sole holder / First holder: ..... Second holder: .....

Signature of Proxy holder (across the revenue stamp)

NOTE: 1. The proxy must be deposited at the registered office of Shriram Transport Finance Company Limited at 3rd Floor, Mookambika Complex, No. 4, Lady Desika Road, Mylapore, Chennai - 600004, Tamil Nadu not later than 48 hours before the meeting.

2. In case of multiple proxies, proxy later in time shall be accepted.
3. All alterations made in the form of proxy should be initialed.
4. Please affix revenue stamp before putting signature.
5. Proxy need not to be a shareholder of the Applicant Company.

ATTENDANCE SLIP

(PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE REGISTRATION COUNTER FOR ISSUING GATE PASS FOR ENTERING THE MEETING HALL)

I/ We hereby record my/ our presence at the Court convened meeting of the equity shareholders of Shriram Transport Finance Company Limited held at Narada Gana Sabha (Main Hall), No. 314, T.T.K. Road, Alwarpet, Chennai - 600018, Tamil Nadu on Thursday June 14, 2012, at 10.30 A.M. for the purpose of considering and, if thought fit, approving, with or without modification, the Scheme of Arrangement between Shriram Holdings (Madras) Private Limited and Shriram Transport Finance Company Limited and their respective shareholders and creditors and at such meeting and at any adjournment/ adjournments thereof.

Signature of Member/ Proxy holder

Name: .....

Signature of Joint holder 1 .....

Signature of Joint holder 2 .....

Address: .....

.....

Folio No/ DP & Client ID No.: .....

No. of share(s) held: .....

NOTES:

1. Members/ proxy holders are requested to bring the original Attendance Slip duly filled with them when they come to the meeting venue and hand it over at the registration counter.
2. Incomplete attendance slips shall not be accepted for issuing the gate pass for entry in the meeting hall.
3. Members who come to attend the meeting are requested to bring their own copy of Notice and Scheme of Arrangement with them for reference.

CERTIFIED TRUE COPY

For SHRIRAM TRANSPORT FINANCE CO. LTD.

V. M. Achwal
Company Secretary