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

COMPANY APPLICATION NO 334 OF 2012
IN THE MATTER OF COMPANIES ACT, 1956 (1 OF 1956)

AND

IN THE MATTER OF SECTIONS 391-394 OF THE COMPANIES ACT 1956

AND

IN THE MATTER OF SUNDARAM-CLAYTON LIMITED, AN EXISTING COMPANY UNDER THE COMPANIES ACT, 1956, HAVING ITS REGISTERED OFFICE AT NO.29 HADDOWS ROAD, CHENNAI 600 006, TAMIL NADU

AND

IN THE MATTER OF COMPOSITE SCHEME OF ARRANGEMENT INCLUDING AMALGAMATION AND DEMERGER AMONG SUNDARAM-CLAYTON LIMITED AND ANUSHA INVESTMENTS LIMITED AND SUNDARAM INVESTMENT LIMITED AND THEIR RESPECTIVE SHAREHOLDERS UNDER SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956

SUNDARAM-CLAYTON LIMITED
Represented by its Chairman and Managing Director
Mr Venu Srinivasan
No. 29 Haddows Road
Chennai 600 006 .....APPLICANT COMPANY / DEMERGED COMPANY

NOTICE CONVENING MEETING OF THE EQUITY SHAREHOLDERS

To

Equity shareholders of the Applicant Company

TAKE NOTICE that, by an order made on 30th March 2012, the Hon'ble High Court of Madras has directed that a meeting of the equity shareholders of the Sundaram-Clayton Limited, namely the Applicant Company be convened and held at The Music Academy, No. 168, T T K Road, Chennai - 600 014 on Friday, the 18th day of May, 2012 at 10.00 a.m. for the purpose of considering, and if thought fit, approving, with or without modification, a composite scheme of arrangement including amalgamation and demerger among Sundaram-Clayton Limited and Anusha Investment Limited and Sundaram Investment Limited and their respective shareholders under sections 391 to 394 of the Companies Act, 1956 (hereinafter referred to as the Scheme).

TAKE FURTHER NOTICE that, in pursuance of the said order, a meeting of equity shareholders of the Applicant Company will be held at The Music Academy, No. 168, T T K Road, Chennai - 600 014 on Friday, the 18th day of May, 2012 at 10.00 a.m., when you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by proxy, provided that a proxy in the prescribed form, duly signed by you, is deposited at the registered office of the Company at No.29 Haddows Road, Chennai 600 006 not later than 48 hours before the meeting.

The Court has appointed Mr Venu Srinivasan, Chairman and Managing Director, failing him Mr. Gopal Srinivasan, Director, failing him Mr. H. Lakshmanan, Executive Director of the Applicant Company, to be the Chairman of the said meeting.

A copy of the said Scheme, a statement under section 393 of the Companies Act, 1956 and a form of proxy are enclosed.

Dated this the 10th day of April 2012

Regd Office:

No.29 Haddows Road
Chennai 600 006

Venu Srinivasan

Chairman Appointed for the Meeting

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SUNDARAM-CLAYTON LIMITED
Represented by its Chairman and Managing Director
Mr Venu Srinivasan
No. 29 Haddows Road
Chennai 600 006 .....APPLICANT COMPANY / DEMERGED COMPANY

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. 1.1 Pursuant to an Order dated 30th March 2012 passed by the Hon'ble High Court of Judicature at Madras in the Company Application, referred to above, a meeting of the equity shareholders of the Applicant Company is being convened for the purpose of considering and, if thought fit, approving with or without modification, the Scheme of Arrangement as embodied in the 'Composite Scheme of Arrangement including Amalgamation and Demerger' among Sundaram-Clayton Limited and Anusha Investments Limited and Sundaram Investment Limited and their respective shareholders, under sections 391-394 of the Companies Act, 1956' (hereinafter referred to as 'the Act'). The secured and/or unsecured creditors of the Applicant Company will not be affected by the Scheme and their interests are fully protected and hence there will be no meeting of the Creditors of the Applicant Company.

1.2 The said order will be available for inspection at the Registered Office of the Applicant Company at No.29, Haddows Road, Chennai 600 006 between 11 a.m and 1.00 p.m on any working day of the Applicant Company, except Sundays upto the date of the meeting.

2. OVERVIEW

2.1 In this statement Sundaram-Clayton Limited is hereinafter referred to as the Applicant or Demerged Company or SCL (as the case may be), Anusha Investments Limited is hereinafter referred to as the Transferor Company or AIL (as the case may be) and Sundaram Investment Limited is hereinafter referred to as the Resulting Company or SIL, (as the case may be).

2.2 This statement explaining the terms of the Scheme is being furnished, as required under section 393(1)(a) of the Act and is an integral part of the Scheme. A copy of the Scheme is enclosed herewith. In this connection, the attention of the equity shareholders is invited to the definitions as contained in Clause 2 of Part I of the Scheme. Capitalized terms used herein and not defined, shall have the meaning ascribed to them in the Scheme.

2.3 The Scheme, *inter alia*, envisages the amalgamation of the wholly owned subsidiary of the Applicant Company, namely the Transferor Company and the demerger of non-automotive related business (as hereinafter defined) into another wholly owned subsidiary, namely the Resulting Company.

2.4 The Scheme, after it is approved by the equity shareholders of all the companies involved under the arrangement and sanctioned by the Hon'ble High Court of Madras, will come into operation with effect from the day the last of the approvals, specified in Clause 35 of the Scheme, and a certified copy of the Order of the Hon'ble High Court of Madras, under sections 391-394 of the Act, is filed with the Registrar of Companies, Tamilnadu, Chennai.

3. BACKGROUND OF COMPANIES

3.1 SUNDARAM-CLAYTON LIMITED (SCL) / THE APPLICANT COMPANY / THE DEMERGED COMPANY

3.1.1 The Applicant Company was incorporated under the Act as a public limited company on 24th May 1962.

3.1.2 The Applicant Company was jointly promoted in 1962 with an initial paid-up equity capital of Rs.82 lakhs of which 51% was contributed by TVS Group, consisting of M/s T V Sundram Iyengar & Sons Limited, Sundaram Industries Limited, Southern Roadways Limited and Sundaram Finance Limited (hereinafter referred to as TVS Group or Indian promoters, as the case may be), being the Indian promoters and 49% was contributed by the Clayton Dewandre Holdings Limited (CDH), being the erstwhile foreign promoter of the Applicant Company.

3.1.3 The Applicant Company, in the year 1983, offered its equity shares to the public through a prospectus and from October 1983, the shareholding pattern of the Applicant Company was held in the following ratio, namely Indian Promoters holding 40.83%, the then foreign promoters holding 39.17% and the remaining 20% by the public.

3.1.4 The Applicant Company, in the year 2008, demerged its brakes business into its wholly owned subsidiary, namely WABCO-TVS (INDIA) Limited (WABCO), since the Indian and the then foreign promoters were of the opinion that the brakes business required focussed attention, as a separate entity to make it more competitive.

3.1.5 The Applicant Company demerged its brakes business, under a Scheme of arrangement among the Applicant Company and WABCO and their respective shareholders and creditors in terms of section 391-394 of the Act, into WABCO and the share capital of WABCO and the Applicant Company was reorganized by distributing the paid-up equity share capital, equally between the Applicant Company and WABCO and the equity shares of WABCO were listed in the Stock Exchanges, where the equity shares of the Applicant Company were listed and traded. As part of this arrangement, the equity shares held by the foreign promoters in the Applicant Company were subsequently transferred to the Indian promoters and the equity shares held by the Indian promoters in WABCO were transferred to the foreign promoters. After completion of this arrangement in 2009, the Indian promoters continue to hold 80% of the paid-up share capital of the Applicant Company, while the balance 20% continues to be held by the public.

3.1.6 The Applicant Company, during the year 2009-2010, issued and allotted 1,89,67,584 equity shares of Rs.5/- each on 14th October 2009 in the ratio of 1:1 to the eligible holders of equity shares of Rs.5/- each as on the record date, i.e., 12th October 2009, as bonus equity shares by capitalizing an equivalent amount standing to the credit of the general reserve account of the Applicant Company. As a result, the Applicant Company's paid up equity share capital now stands at Rs.18.97 Cr.

3.1.7 As of date, the Promoters Group holds 3,03,48,128 equity shares of Rs.5/- each fully paid up, aggregating to 80% of the total paid up capital of the Applicant Company and the balance 75,87,040 equity shares of Rs.5/- each fully paid up aggregating to 20% of the total paid up capital of the Applicant Company is held by the public.

3.1.8 The Registered Office of the Applicant Company is situated at No.29 Haddows Road, Chennai 600 006.

3.1.9 The main objects, inter alia, for which the Applicant Company was incorporated briefly, are as follows:

(a) To carry on the business of manufacturers of and merchants and dealers in all components and parts and accessories of vehicles of every kind;

(b) To carry on the business of manufacturers, mechanical engineers, founders, fitters, tool makers, brass founders, metal makers, boiler makers, mill-wrights, machinists, iron and steel converters, smiths, wire drawers, tube makers, metallurgists, saddlers, galvanisers, japanners, annealers, painters, electrical engineers, water supply engineers, gas makers, packing case makers, dealers in steel frames, farmers, printers, carriers, automobile consultants, enamellers, electroplaters, wood workers, builders, tool makers, pattern makers, refiners and manufacturers of agricultural implements or other machinery;

(c) To manufacture, produce, repair, export, import, purchase, sell and deal in and generally to carry on business in the manufacture, sale and supply of brake exhausters, compressors, servo units and other components and accessories thereof for vehicles of every kind;

(d) To carry on the business of manufacturers and dealers in, hirers, repairers, cleaners, storers, and warehousers of motor cars, motor cycles, cycle cars, motor, scooters, cycles, bicycles, and carriages, launches, boats and other conveyances of all descriptions whether propelled or assisted, by means of petrol, spirit, steam, gas, electrical, or through power and all engines, chassis, bodies, component parts, accessories, fittings and other things used in or capable of being used in or in connection with vehicles and engines stationery or otherwise;

(e) To carry on the business of iron and steel founders and founders of non-ferrous metals in all their branches and to carry on business of smelters, and of casting, forming and shaping parts and components of plant, machinery and equipment and articles of every description of ferrous and non-ferrous metals and other materials;

(f) To acquire and carry on the business of manufacture of rubber articles and to purchase, take on lease or otherwise acquire, hold and work any lands producing rubber trees or suitable for planting, cultivation and growth of rubber trees and any concessions, rights, powers and privileges over any such lands and machinery; and

(g) To carry on the business of electricians, electrical engineers, and manufacturers of all kinds of electrical machinery and electrical apparatus for any purpose whatsoever and to manufacture, sell, supply and deal in accumulators, lamps, motors, engines, dynamos, batteries, telephonic or telegraphic apparatus of any kind and manufacturers of and dealers in scientific instruments of any kind.

3.1.10 The Applicant Company has been in the business of manufacturing non-ferrous castings in its Foundry Division for captive purposes, namely for supplies to air brake systems. The Applicant Company has been using its capacity for supplies of non-ferrous castings to other group companies including to its subsidiary company, TVS Motor Company Limited (TVSM), manufacturer of two wheelers and other customers also. The manufacturing facilities of the Applicant Company are presently located at Padi (Chennai), Mahindra World City (Kancheepuram) and at Belagondapalli (Hosur), all in the state of Tamil Nadu. The Applicant Company has also been in the business of trading in electronic hardware as part of its own operations and holding investments in non-automotive business through its direct and indirect subsidiaries. The Applicant Company has thus been in existence for more than 50 years.

3.1.11 The business activities of the Applicant Company at present consist of:

(i) manufacture and sale of non-ferrous castings for automobiles as own business and manufacture and sale of automotive and ancillary products carried on through its direct and indirect subsidiaries and SEBI registered Share Transfer Agent (STA) (hereinafter referred to as the "Automotive related business" or "Remaining Business", as hereinafter defined) as the case may be; and

(ii) trading in electronic hardware as part of its own operations and manufacture of electronics hardware, software services, finance, investment and asset management business carried on through its direct and indirect subsidiaries (hereinafter referred to as "Non automotive related business" or "Demerged Undertaking", as hereinafter defined) as the case may be.

3.1.12 The authorized share capital of the Applicant Company is Rs.20,00,00,000 divided into 4,00,00,000 equity shares of Rs.5/- each. The issued subscribed and paid up Share capital as of date is Rs.18,96,75,840/- consisting of 3,79,35,168 equity shares of Rs.5/- each fully paid up. The equity shares of the Applicant Company are listed and regularly traded in Madras Stock Exchange Limited (MSE), Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

3.2 ANUSHA INVESTMENTS LIMITED (AIL) / THE TRANSFEROR COMPANY

3.2.1 The Transferor Company was incorporated under the Act on 29th September, 1982, as a private limited company with the Registrar of Companies, Tamilnadu. The Transferor Company had become a deemed public company, pursuant to the provisions of section 43A of the Act. Subsequently, the Transferor Company was converted into a public company and a fresh certificate of incorporation, consequent upon the deletion of the word 'private' from the name of the Transferor Company, was obtained the Registrar of Companies, Chennai.

3.2.2 The Registered Office of the Transferor Company is situated at No.29 Haddows Road, Chennai 600 006.

3.2.3 The main objects, for which the Transferor Company was incorporated, as set out in Clause IIIA of its memorandum of association, are as under:

(a) To carry on the business of an investment company and for that purpose to invest in, acquire, underwrite, subscribe for, hold shares, bonds, stocks, securities, debenture stocks issued or guaranteed by any company constituted and carrying on business in India or elsewhere; any Government, State, dominions, sovereign central or provincial commissioners, port trust, public body or authority, supreme, municipal, local or otherwise whether in India or elsewhere.

(b) To invest money (not amounting to banking business) on personal security or on the security of leasehold and freehold land, shares, securities, stocks, merchandise and other property and assets and generally to lend advance money to such persons, firm or companies and upon such terms and subject to such conditions as may seem expedient.

(c) To purchase for investment or re-sale and to deal in land and house and other property of any tenure and any interest therein, and to create, sell and deal in free hold and leasehold grounds rents.

3.2.4 The Transferor Company is engaged in the business of investing in shares, bonds, stocks, securities, debenture stocks whether in India or outside India and registered with Reserve Bank of India as a Non-Deposit taking Non-Banking Financial Company (NBFC).

3.2.5 The authorized share capital of the Transferor Company is Rs.5,00,00,000 divided into 5,00,000 equity shares of Rs.100/- each. The issued subscribed and paid up share capital as of date is Rs.5,00,00,000 divided into 5,00,000 equity shares of Rs.100/- each fully paid up.

3.2.6 The entire paid up share capital of the Transferor Company is held by the Applicant Company and its six nominees and hence, it is a wholly owned subsidiary of the Applicant Company.

3.3 SUNDARAM INVESTMENT LIMITED (SIL) / THE RESULTING COMPANY

3.3.1 The Resulting Company was incorporated under the Act on 22nd November 2004 and obtained a Certificate of Commencement of business on 15th December 2004.

3.3.2 The Registered Office of the Resulting Company is situated at No.29 Haddows Road, Chennai 600 006.

3.3.3 The Resulting Company was incorporated with the main objects of carrying on the business of trading and investment activities. The main objects, for which the Resulting Company was incorporated, as set out in Clause III A of its Memorandum of Association are as under:-

(a) To carry on and undertake the business of trading and investment activities of all kinds either singly / jointly / on syndication / consortium / participative / lead basis that the company may think fit and to purchase or otherwise deal in all forms of immovable and movable property including land and buildings, plant and machinery, equipment, ship, aircraft, automobiles including two wheelers and three wheelers, tractors off the highway vehicles, engines, generators, computer software's and hardware's, all types and kinds of appliances, domestic or otherwise, computers and all consumer, commercial and industrial items or otherwise deal with them in any manner whatsoever including resale thereof, regardless of whether the property purchased be new and / or used and to undertake and carry on all operations and transactions in regard to business of any kind in the same way as an individual capitalist may lawfully undertake.

(b) To carry on the business of investing in its own name or as a holding company or by entering into partnership with others, investment companies, finance companies and brokerage houses, borrow and raise monies, to invest in, to acquire and hold, sell buy or otherwise deal in shares, debentures, debenture-stock, bonds, units, obligations and securities issued by any group / holding / subsidiary company and to subscribe for the same whether or not fully paid up, either conditionally or otherwise, to guarantee the subscription thereof and to exercise and to enforce all rights and powers conferred by or incidental to the ownership thereof.

(c) To act as technical advisers or consultants, investment advisers, financial consultants, management consultants, market surveyors and provide advice, services, consultancy in various fields, general administrative, commercial, financial, legal, economic, labour, industrial, public relations, scientific, technical, direct and indirect taxation, inventory control, data processing, human behavior, on Portfolio Management, and / or management services to any Company, body corporate, firm or person or persons and also all merchant banking activities and organizing collections and repayment of Public Deposits to various corporate bodies.

3.3.4 The authorized share capital of the Resulting Company is Rs.25,00,000 divided into 5,00,000 equity shares of Rs.5/- each. The issued, subscribed and paid up share capital as of date is Rs.5,00,000 divided into 1,00,000 equity shares of Rs.5/- each fully paid up and the entire paid up share capital of the Resulting Company is held by the Applicant Company and its six nominees and hence, it is a wholly owned subsidiary of the Applicant Company.

4 RATIONALE FOR THE SCHEME AND THE BENEFITS

4.1 The directors of the companies, that are parties to the Scheme have proposed, a single 'composite scheme of arrangement including amalgamation and demerger' as follows:

(a) amalgamation of the Transferor Company with the Applicant Company;

(b) demerger of the "Non automotive related business" (hereinafter referred to as "Demerged Undertaking") of the Applicant Company into the Resulting Company, and consequential reorganization of the capital including reduction of equity share capital and reserves of the Applicant Company; and

(c) providing a voluntary exit opportunity to the public shareholders of the Resulting Company and various other matters consequential, supplemental and / or otherwise integrally connected therewith.

4.2 The directors of the Applicant Company, the Transferor Company and the Resulting Company, being the wholly owned subsidiaries of the Applicant Company, have considered and approved the proposed Scheme, subject to such statutory and other regulatory approvals, that may be required, with a view to -

(a) recognize the importance of idea of core competence in the structuring and development of the Applicant Company and its wholly owned subsidiaries, namely the Transferor Company and the Resulting Company, in order to achieve the business purposes permitting greater management focus on their respective core businesses;

(b) permit the respective management to focus their human and material resources on their own businesses and exit from the other's business, reconstituting, if found necessary, the boards of the respective companies; and

(c) allow scope for independent decisions regarding the present and future businesses, use of cash flow for dividends, capital expenditures or other re-investments in the businesses and as part of the restructuring of the "Non automotive related business" of the Resulting Company, including to permit the amalgamation of the Transferor Company with the Applicant Company, in order to achieve synergies in the business activity related to "Automotive related business" and investment therein, obtain economies of scale and eliminate duplication of costs of administration.

4.3 The board of directors / the Committee of directors of the Applicant Company in their earlier meetings held on 13th August 2010 and later on 14th November 2010 and the board of directors of the Transferor Company and the Resulting Company, in their meetings, held on 14th November 2010 and 15th November 2010 approved the proposed arrangement. Subsequently, the board of directors / the Committee of directors of the Applicant Company in their subsequent meetings held on 30th November 2011 and 26th December 2011 and the respective wholly owned subsidiaries at their respective meetings held on 26th December 2011 modified the earlier Scheme and approved the present Draft Composite Scheme of Arrangement including Amalgamation and Demerger among Sundaram-Clayton Limited, the Applicant Company, Anusha Investments Limited, the Transferor Company and Sundaram Investment Limited, the Resulting Company and their respective shareholders under sections 100-102 and 391-394 of the Act, for restructuring the activities by amalgamation of the wholly owned subsidiary, namely the Transferor Company with the Applicant Company and demerger of non-automotive related business in favour of another wholly owned subsidiary, namely the Resulting Company, subject to approvals of the stock exchanges, shareholders and the Hon'ble High Court of Madras.

4.4 The board of directors / the Committee of directors of the Applicant Company, the Transferor Company and the Resulting Company, being the wholly owned subsidiaries of the Applicant Company, have approved the Scheme, *inter alia*, providing for:

(a) amalgamation of the wholly owned subsidiary, namely the Transferor Company with the Applicant Company and consequent dissolution of the Transferor Company without the process of winding up;

(b) demerger and transfer of the "Non automotive related business" of the Applicant Company, in order to provide focused leadership and management, to the Resulting Company upon the coming into effect of this Scheme;

(c) issuing and allotting shares by the Resulting Company of its fully paid equity shares to the shareholders of the Demerged Company in proportion to their respective shareholding in the Applicant Company and in the manner set out in the Scheme;

(d) reduction and reorganization of equity share capital of the Applicant Company, consequent to the demerger of Non-Automotive related business into the Resulting Company;

(e) non-listing of shares of the Resulting Company and exit opportunity to the shareholders of the Resulting Company; and

(f) general terms and conditions that would be applicable to the Scheme.

4.5 Apart from the assets relating to the "Non automotive related business" held by the Applicant Company, the entire paid up capital of TVS Investments Limited (TVSI), a wholly owned subsidiary of the Applicant Company, whose subsidiaries are engaged in the businesses of electronics hardware manufacture, computer software services, financial services and asset management company and which constitutes the dominant part of the "Non automotive related business" assets of the Applicant Company will be transferred, under the Scheme, to the Resulting Company and the "Automotive related business" will be retained in the Applicant Company.

4.6 Similarly, apart from the assets relating to the "Automotive related business" held by the Applicant Company and its wholly owned subsidiary, namely the Transferor Company, whose

investments included a dominant part of the "Automotive related business" assets, the Transferor Company, under the Scheme, will be amalgamated and merged into the Applicant Company, as part of this Scheme itself.

4.7 The Scheme envisages the allotment and reorganisation of share capital as follows:

(a) the 'fair share entitlement ratio' for the proposed demerger of the Non-automotive related business of the Applicant Company into the Resulting Company, namely, the entitlement of, for every 2 (two) equity shares of Rs.5/- each fully paid up of the Applicant Company, prior to the proposed reorganization of share capital of the Applicant Company, each shareholder of the Applicant Company will be entitled to: (a) 1 (One) equity share of Rs.5/- each fully paid up of the Resulting Company or 1 (One) Non-cumulative redeemable preference share (NRPS) of Rs.5/- each fully paid up of the Resulting Company to those shareholders who exercise the option to receive NRPS, other than the Promoters group and non-resident shareholders of the Applicant Company; and (b) 1 (One) equity share of Rs.5/- each fully paid up of the Applicant Company.

(b) the 'fair share entitlement ratio' for the issue of equity shares of the Resulting Company to the equity shareholders of the Applicant Company in consideration of the demerger of the Non-automotive related business of the Applicant Company into the Resulting Company has also been opined as fair and reasonable by the independent and reputed professional valuer, namely Deloitte Touche Tohmatsu India Private Limited (Deloitte) who have submitted the Report dated 23rd December 2011 containing rationale for their opinion on the recommendation. The Applicant Company and the Resulting Company have also sought and obtained fairness opinion from the merchant banker, namely Enam Securities Private Limited. The said merchant banker, after reviewing the methodology and the basis of reorganization of the share capital of the Applicant Company, has opined that the 'share entitlement ratio' is fair.

(c) the equity shares issued and allotted by the Resulting Company are not proposed to be listed.

(d) the 'exit option' under the Scheme to the shareholders of the Resulting Company on an 'exit price' of Rs.48/- per share based on valuation of shares of the Resulting Company (post the proposed demerger and based on a share capital of the Resulting Company comprising of 1,89,67,584 equity shares of face value of Rs.5/- each fully paid up) is proposed. The exit option is provided to those shareholders other than the Promoters group, who exercise the option to exit from the Resulting Company, which is to remain as an unlisted public limited company. The Applicant Company and the Resulting Company have sought and obtained a Report on valuation of the equity shares of the Resulting Company (post the amalgamation of Transferor Company with Applicant Company) and the proposed demerger of Non-automotive related business of the Applicant Company into the Resulting Company from an independent and reputed professional valuer, namely Deloitte Touche Tohmatsu India Private Limited, for the purpose of providing a basis for determining the price for the 'exit options' offered in the Scheme to the shareholders of the Resulting Company.

4.8 The rationale for not listing of the shares of the Resulting Company, is due to, among other factors, its status to be and to remain as a holding company of the companies, which carry on the "Non-automotive related business"; its limited revenue streams and the resultant limited scope for declaration of dividend; likely low market capitalisation; low return on net worth; and the public holding herein, being below the requirement of minimum non-promoters shareholding of 25%.

4.9 The Scheme, therefore, would be equitable, as it provides safety net of exit option on fair terms for the public shareholders of the Applicant Company, who would be allotted unlisted new equity shares of the Resulting Company pursuant to the demerger. Hence, in order to protect the interest of the public shareholders of the Applicant Company, the Applicant Company has thus factored in an option to be given to the public shareholders to opt for either new equity shares or NRPS of the Resulting Company, which would carry reasonable return from the date of allotment till redeemed.

4.10 The Scheme also provides for purchase by a nominee of the Applicant Company, namely M/s Sundaram Engineering Products Services Limited, Chennai, (SEPSL), the new equity shares of such public shareholders allotted in the Resulting Company for a fair price upon the Scheme coming into effect. This entity would buy the new equity shares of the Resulting Company at the above referred price of Rs.48/- per share from the shareholders, who exercise the option to sell their new equity shares of Rs.5/- each allotted by the Resulting Company, post approval of the Scheme.

4.11 The directors of the Applicant Company consider it their legal and corporate responsibility to its shareholders, to whom the shares in the Resulting Company are being allotted, which are not getting listed under the Scheme, by making appropriate provisions to provide for liquidity for those shares in the hands of the allottee shareholders of the Resulting Company, for the effective implementation of the 'safety net' as mentioned in the Scheme.

4.12 SEPSL proposes to issue Optionally Fully Convertible Debentures (OFCD), which will be subscribed entirely by the Transferor Company, in order to effect payment to the public shareholders surrendering their shares in the Resulting Company, as part of the arrangement in the Scheme. SEPSL will effect payment to the public shareholders against their surrender of the equity shares of the Resulting Company, out of funds so provided to SEPSL by the Transferor Company. This is also one of the objectives of the promotion of SEPSL.

4.13 The Scheme so drawn up complies with the conditions relating to the 'Demerger' and 'Amalgamation', as specified under the applicable provisions of the Income-tax Act, 1961 and also complies with the conditions of the Accounting Standards specified by the Central Government in terms of section 211(3C) of the Act, to the extent applicable with regard to accounting treatment, as contained in the draft Scheme.

4.14 The Scheme is conditional upon securing the approval of the Stock Exchanges, the respective shareholders of companies involved in the Scheme and the Hon'ble High Court of Madras.

4.15 The Scheme is to be implemented, as an integral and a composite Scheme and the Scheme shall not be proceeded with unless the Scheme in its entirety is approved, as required under the Act, by the respective shareholders of the companies involved under the Scheme and such approved Scheme is to be sanctioned by the Hon'ble High Court of Madras with or without modification, as required under the Act.

4.16 The following are *interalia,* major benefits, besides what has been stated hereinabove will accrue from the proposed Scheme and for these, amongst others, the Scheme is being proposed:

(a) The proposed amalgamation of the Transferor Company being its 100% subsidiary of the Applicant Company is in line with the current trends to rethink business strategies and operational conveniences;

(b) The proposed amalgamation is in order to achieve synergies in business activity, obtain economies of scale and eliminate duplication of costs of administrative functions, reduce / eliminate altogether the multiple record keeping resulting in reduced expenditure;

(c) The proposed amalgamation will enable the companies concerned to reduce the multiplicity of legal, regulatory and procedural compliances required to be carried out by the companies and consequent reduction in costs;

(d) The proposed arrangement is to enable the managements of all companies to combine their common advantage and consolidation of business objects, especially when the Transferor Company / Resulting Company are wholly owned subsidiaries of the Applicant Company;

(e) The proposed arrangement will contribute in furthering and fulfilling the objects of the companies concerned and in the growth and development of their respective businesses;

(f) The proposed arrangement will enable the companies concerned to specialize and also wherever possible pool their resources and to expand the activities;

(g) The proposed arrangement will enable the companies concerned to rationalize and streamline their management to eliminate duplication of work to the common advantage;

(h) The proposed arrangement will enable the companies concerned to integrate, rationalize and streamline the management structure;

(i) The proposed arrangement will enable the companies concerned to synchronize its efforts to achieve uniform corporate policy;

(j) The proposed arrangement will enable the companies concerned to ease in decision making at the group level;

(k) The proposed arrangement will enable the companies concerned to increase the leveraging capacity and strengthen financial position; and

(l) The board of directors of all companies, pursuant to the proposed arrangement, believe that the eventual entities will create even greater value.

5. SALIENT FEATURES OF THE SCHEME

5.1 The arrangement among the companies namely the Applicant Company, the Transferor Company and the Resulting Company will be effected by the Scheme under sections 391 to 394 of the Act. The Scheme would become operative from the Appointed Date, which is fixed as 7th July 2011 but would become effective only from the 'Effective date', being the later of the dates on which sanctions, approvals or orders specified in the Scheme have been obtained / fulfilled or waived and certified copies of the Order of the High Court of Judicature at Madras, sanctioning the Scheme have been filed with the Registrar of Companies, Chennai.

5.2 Some of the salient features are as follows. The Scheme is divided into the following six parts:

(a) Part I - deals with Definitions and Share capital;

(b) Part II - deals with amalgamation of AIL/Transferor Company with SCL/the Demerged Company;

(c) Part III - deals with demerger of 'Non-automotive related business' of SCL/the Demerged Company, after amalgamation as envisaged in Part II of the Scheme into SIL Resulting Company;

(d) Part IV - deals with the Reduction and Re-organization of Equity Share Capital of SCL / the Demerged Company, consequent to the demerger of the 'Non-automotive related business' into the Resulting Company, pursuant to the provisions of this Scheme;

(e) Part V - deals with the non-listing of shares of the Resulting Company and Exit opportunity to the shareholders of the Resulting Company; and

(f) Part VI - deals with the general terms and conditions that would be applicable to the Scheme.

The Scheme provides that, though it shall become effective from the Effective Date, the provisions of the Scheme shall be applicable and come into operation from the Appointed Date.

5.3 Part II of the Scheme, *inter alia*, sets out the following provisions in relation to the amalgamation of the wholly owned subsidiary, namely the Transferor Company with the Demerged Company under the Scheme:

(a) the manner of vesting and transfer of the assets and liabilities, duties and obligations of the Transferor Company with SCL / the Demerged Company;

(b) the transfer of contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature;

(c) the enforcement of legal proceedings pending and/or arising by or against the Transferor Company;

(d) the manner in which the business of the Undertaking of the Transferor Company to be carried on for and on account of and in trust for SCL / the Demerged Company;

(e) the treatment of the Scheme in the accounts, treatment of taxes, declaration of dividend; etc.,

(f) the transfer of permanent employees, if any, engaged in the Undertaking of the Transferor Company, as on the Effective date, to SCL / the Demerged Company on terms and conditions not less favourable than those on which they are engaged in the Undertaking of the Transferor Company prior to the Effective Date.

(g) the cancellation of investments and effect in the capital clause in the memorandum of association of SCL / the Demerged Company;

(h) the restriction on change of capital structure; and

(i) the dissolution of the Transferor Company without the process of winding up.

5.4 Part III of the Scheme, *inter alia*, sets out the following provisions in relation to the demerger of 'Non-automotive related business' of SCL / the Applicant Company into the Resulting Company:

(a) the manner of vesting and transfer of the assets and liabilities, duties, obligations of the Demerged Undertaking of the Applicant Company into the Resulting Company;

(b) the continuance of legal, taxation or other proceedings by or against the Applicant Company

(c) the transfer of contracts, deeds, bonds, agreements, schemes or arrangements and other instruments of whatsoever nature relating to the Demerged Undertaking;

(d) the manner in which the business of the Demerged Undertaking is to be carried on for and on account of and in trust for the Resulting Company;

(e) the transfer of permanent employees, if any, engaged in the Demerged Undertaking, as on the Effective date, to the Resulting Company on terms and conditions not less favourable than those on which they are engaged in the Demerged Company prior to the Effective date;

(f) Issue and allotment by the Resulting Company as under:

(i) TVS Group entities consisting of promoter group and public shareholders of the Applicant Company: 1 Equity share of Rs.5/- each credited as fully paid up for every 2 equity shares of Rs.5/- each fully paid up held in the Demerged Company.

(ii) Shareholders other than TVS Group entities and non-resident shareholders of the Demerged Company (Eligible Shareholders):

Option of receiving either 1 NRPS of Rs.5/- each credited as fully paid up at a premium of Rs.43/- per NRPS for every 2 equity shares held in the Applicant Company (or) 1 Equity share Rs.5/- each credited as fully paid up for every 2 equity shares of Rs.5/- each fully paid up held in the Applicant Company.

(iii) Manner of exercise of option to receive 1 Equity share or NRPS, Terms of issue of NRPS.

(g) Accounting treatment in the books of SCL / Applicant Company including treatment of balance in capital reserve of the Applicant Company after giving effect to adjustments as envisaged in the Scheme as general reserve as available for distribution to shareholders in any manner including dividend, capitalization by way of bonus shares or buyback or otherwise.

(h) Accounting treatment in the books of the Resulting Company on demerger;

(i) Alteration to the memorandum of association of the Resulting Company by inserting new clauses in sub-clause (c) of clause III;

5.5 Part IV of the Scheme, *inter alia*, provides for reduction of the share capital of the Applicant Company, consequent to the vesting of the Demerged Undertaking into the Resulting Company and issue and allotment of one equity share of Rs.5/- each (after reorganization) in respect of two equity share of Rs.5/- each held in the Applicant Company on a record date to be fixed for the purpose upon the Scheme coming into effect.

5.6 Part V of the Scheme deals with non-listing of the equity shares of the Resulting Company and exit opportunity to the public shareholders of the Resulting Company, by providing an option to sell their Equity Shares held in the Resulting Company to SEPSL at a price of Rs.48/- per share

within a period of 3 months from the Record Date, for which SEPSL shall credit Rs.18.21 crores computed @ Rs.48/- per share for 37,93,517 equity shares in an escrow account with a scheduled commercial bank.

5.7 Part VI of the Scheme, *inter alia*, states that it is conditional upon and subject to:

(a) It being agreed to by the requisite majority of the equity shareholders of the Applicant Company, the Transferor Company and the Resulting Company as directed by the Hon'ble High Court of Madras in terms of section 391-394 of the Act;

(b) Such other sanctions and approvals including sanctions of any government authority, lessor or other contracting party, as may be required by law in respect of the Scheme being obtained;

(c) Certified copies of the order(s) of the Hon'ble High Court of Madras, referred to above, in respect of the Applicant Company and the Transferor Company and the Resulting Company filed with the Registrar of Companies, Tamilnadu, Chennai.

MEMBERS ARE REQUESTED TO READ IN DETAIL THE ENTIRE TEXT OF THE COMPOSITE SCHEME OF ARRANGEMENT WHICH IS ANNEXED TO THIS STATEMENT TO GET FULLY ACQUAINTED WITH THE PROVISIONS HEREOF.

6. GENERAL

6.1 The proposed Scheme will not adversely affect the financial position of the Applicant Company. The financial position of the Applicant Company will continue to remain strong and it will be able to meet and pay its debts, as and when they arise. There is no likelihood that any creditor of the Applicant Company would lose or be prejudiced, as a result of the Scheme being passed.

6.2 The Transferor Company and the Resulting Company are the wholly owned subsidiaries of the Applicant Company. Neither of the companies has any accumulated losses.

6.3 The rights and interests of the shareholders and the creditors of the Applicant Company, the Transferor Company and the Resulting Company will not be prejudicially affected by the Scheme.

6.4 The Applicant Company have only five secured creditors, namely, State Bank of India, Chennai, State Bank of Mysore, Chennai, Canara Bank, Chennai, Citi Bank N.A, Chennai and The Hong Kong and Shanghai Banking Corporation Limited, Chennai. The aforesaid five secured creditors of the Applicant Company have given their no-objections to the Scheme.

6.5 The 'fair share entitlement ratio' for issue of equity shares of the Applicant Company to the equity shareholders of the Applicant Company in consideration of the demerger of the Non-automotive related business of the Applicant Company into the Resulting Company has also been arrived at based on the recommendation of the independent and reputed professional valuer, namely Deloitte Touche Tohmatsu India Private Limited (Deloitte), who have submitted a report dated 23rd December 2011 containing their recommendations. A copy of the recommendation of the 'fair share entitlement ratio' by Deloitte is available for inspection by the shareholders of the Applicant Company. The Applicant Company and the Resulting Company have also sought and obtained fairness opinion from the merchant banker, namely Enam Securities Private Limited. The said merchant banker, after reviewing the methodology and the basis of reorganization of the share capital of the Applicant Company, has opined that the 'share entitlement ratio' is fair. A copy of the fairness opinion dated 23rd December 2011 obtained from the merchant banker is also available for inspection by the shareholders of the Applicant Company.

6.6 The Applicant Company has also received no objection letters from the Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and Madras Stock Exchange Limited (MSE), in terms of clause 24(f) of the Listing Agreement for filing the Scheme with the Hon'ble High Court of Madras.

6.7 The Applicant Company has received the approval of the Competition Commission of India (CCI) to the aforesaid Scheme, without prejudice to any other legal or statutory / obligations

as applicable, by way of order under section 31(1) of the Competition Act, 2002 vide Combination Registration No. C-2012/01/23 dated 28th February 2012, in response to an application by all the companies involved under the Scheme, in terms of Section 5(c) and Section 6(2) of the Competition Act, 2002, seeking approval of CCI for the proposed Composite Scheme of Arrangement.

6.8 No investigation proceedings have been instituted or are pending under sections 235 and 251 of the Act against the Applicant Company.

6.9 The Resulting Company shall make necessary application to Foreign Investment Promotion Board (FIPB) for issue of shares to the non-resident shareholders of the Applicant Company, in terms of applicable Foreign Direct Investment (FDI) policy. The Resulting Company shall also make necessary application, as applicable, to the Reserve Bank of India (RBI) for registration as a Non-Banking Finance Company (NBFC).

6.10 Upon the Scheme, being approved as per the requirements of section 391 of the Act, the respective companies will seek the sanction of the Hon'ble High Court of Madras to the Scheme.

6.11 The directors of each of the Applicant Company and its wholly owned subsidiaries, namely the Transferor Company and the Resulting Company, may be deemed to be concerned and/ or interested in the Scheme, to the extent of their respective shareholding in the companies, or to the extent the said directors are common directors in the companies or any two of them, or to the extent the said directors are partners, directors, members of the companies, firms, association of persons, bodies corporate and / or beneficiary of trust, that hold shares in any of the companies.

6.12 The respective shareholding (singly or jointly) of directors of the companies to the Scheme are as follows:

#	Name of the Directors (M/s)	SCL	The Transferor Company	The Resulting Company
	Directors of Applicant Company			
1	K Mahesh	1250	–	–
2	Gopal Srinivasan	132	–	1*
	Directors of the Resulting Company:			
1	R S Raghavan	–	–	1*
2	R Jagannathan	–	–	1*
	Directors of the Transferor Company:			
1	H Lakshmanan	3982	1*	–
2	V N Venkatanathan	–	1*	–
3	C Narasimhan	600	–	–

(*) holds share as a nominee of the holding company, namely SCL.

7. CAPITAL STRUCTURE - PRE AND POST SCHEME OF ARRANGEMENT

The capital structure of the Applicant Company, the Transferor Company and the Resulting Company pre and post scheme of arrangement are as follows:

7.1 SCL / THE APPLICANT COMPANY

Pre-Scheme of Arrangement: In Rs.

A.	Authorized share capital: 4,00,00,000 equity shares of Rs.5/- each	20,00,00,000
B.	Issued, subscribed and paid up share capital: 3,79,35,168 equity shares of Rs.5/- each fully paid up	18,96,75,840

Post-Scheme of Arrangement: In Rs.

A.	Authorised share capital: 5,00,00,000 equity shares of Rs.5/- each	25,00,00,000
B.	Issued, subscribed and paid up share capital: 1,89,67,584 equity shares of Rs.5/- each fully paid up	9,48,37,920

7.2 AIL / THE TRANSFEROR COMPANY

Pre-Scheme of Arrangement: In Rs.

A.	Authorised share capital: 5,00,000 equity shares of Rs.100/- each	5,00,00,000
B.	Issued, subscribed and paid up share capital: 5,00,000 equity shares of Rs.100/- each fully paid up	5,00,00,000

Post-Scheme of Arrangement:

The entire paid up Share capital held by SCL and its nominees will get extinguished and cancelled out consequent to its amalgamation and dissolution without the process of winding up in pursuance of the Scheme.

7.3 SIL / THE RESULTING COMPANY

Pre-Scheme of Arrangement: In Rs.

A.	Authorized share capital: 5,00,000 equity shares of Rs.5/- each	25,00,000
B.	Issued, subscribed and paid up share capital: 1,00,000 equity shares of Rs.5/- each fully paid up	5,00,000

Post-Scheme of Arrangement: In Rs.

A.	Authorized share capital: 2,00,00,000 equity shares of Rs.5/- each	10,00,00,000
	40,00,000 8% Non-cumulative Redeemable Preference shares of Rs.5/- each	2,00,00,000
B.	Issued, subscribed and paid up share capital: (a) Equity shares:	
	1,52,16,804 equity shares of Rs 5/- each (promoters group and NRI shareholders)	7,60,84,020
	Depending upon the exercise of the option:	
	37,50,780 equity shares of Rs.5/- each: or (public shareholders other than above)	1,87,53,900
	(b) Preference shares:	
	37,50,780 8% Non-cumulative Redeemable Preference Shares of Rs.5/- each (public shareholders other than above)	1,87,53,900

7.4 The pre and post Scheme of Arrangement shareholding pattern of the Applicant Company and the Resulting Company are given in the Annexure attached to this Statement.

8. RESOLUTION

8.1 It is in the interest of the shareholders of the Applicant Company that the said Scheme among the Applicant Company, Transferor Company and the Resulting Company and their respective shareholders, should be approved and accordingly the following resolution, with or without modification, will be moved at the meeting convened pursuant to this Notice.

"RESOLVED THAT, subject to such approvals, as may be necessary from the Hon'ble High Court of Madras under section 391-394 and other applicable provisions of the Companies Act, 1956 (the Act) and such other statutory or other authorities, the Composite Scheme of Arrangement including amalgamation and demerger among Sundaram-Clayton Limited, Anusha Investments Limited and Sundaram Investment Limited and their respective shareholders under sections 391 to 394 of the Act (a copy of which is placed before the meeting and for the purpose of identification initialed by the Chairman of the meeting) be and is hereby agreed and approved".

"RESOLVED FURTHER THAT, pursuant to the provisions of Sections 78, 100 and other applicable provisions, if any, of the Act and Article 8 of the Articles of Association of the Company and subject to the sanction by the Hon'ble High Court of Madras of the Scheme of Arrangement, presented to that Court, consent be and is hereby accorded to the subscribed and paid up share capital of the Company being reduced by Rs.9,48,37,920 as being no longer represented by assets of the Company and such reduction being effected".

"RESOLVED FURTHER THAT, the board of directors of the Company and any person authorised by the board of directors, be and are hereby severally authorised to take all such steps as may be necessary or desirable and do all such acts, deeds, things and matters, as may be considered necessary to give effect to the aforesaid Scheme of Arrangement and this resolution and to accept such alteration, modification and/or conditions, if any, which may be proposed, required or imposed by the High Court of Judicature at Madras while sanctioning the said Scheme".

8.2 Any equity shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Applicant Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Applicant Company not later than 48 hours, prior to the commencement of the meeting.

8.3 Corporate members intending to send their authorized representatives to attend the meeting are requested to lodge a certified true copy of the resolution of the Board of directors or other governing body of the body corporate not later than 48 hours before commencement of the meeting, authorising such person to attend and vote on its behalf at the meeting.

9. EXEMPTED TRANSACTIONS

9.1 The acquisition of shares of the Applicant Company by the promoters pursuant to the Scheme, would be exempt from the obligation of making an open offer in terms of Regulation 10(1)(d)(ii) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Similarly, the Transferor Company holds 48.56% in TVS Motor Company Limited (a listed company) [TVS Motor] and the Applicant Company also holds 8.84% in TVS Motor. In view of the amalgamation of the Transferor Company with its holding company, namely the Applicant Company the Applicant Company will directly hold 57.40% in TVS Motor. As a result of this acquisition, the ultimate ownership of TVS Motor will remain unchanged and will remain with the Applicant Company.

9.2 Similarly, TVS Investments Limited, a wholly owned subsidiary of the Applicant Company, holds 59.72% in TVS Electronics Limited, a listed public company [TVS Electronics]. In view of the demerger of Non-automotive related business into the Resulting Company, the shares of TVS Investments Limited, will get transferred to the Resulting Company and TVS Electronics will, therefore, become a step down subsidiary of the Resulting Company on demerger.

9.3 Therefore, the direct acquisition of shares of TVS Motor by the Applicant Company and indirect acquisition of shares of TVS Electronics by the Resulting Company, would be exempt from the obligation of making an open offer in terms of Regulation 10(1)(d)(ii) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

9.4 It is clarified that acquisition of shares of the Applicant Company, in pursuance of the said Scheme, by the Promoters Group or by the Applicant Company / Resulting Company, any shares of listed companies would be exempt from the obligation of making an open offer in terms of regulation 10(1)(d)(ii) of SEBI (Substantial Acquisition of shares and takeovers) Regulations 2011.

10. DOCUMENTS OPEN FOR INSPECTION

The following documents will be open for inspection at the registered office of the Applicant Company on any working day, except Saturdays and Sundays, till the date of the meeting between 11 a.m and 1 p.m.

10.1 Certified Copy of the order dated 30th March 2012 passed by the Hon'ble High Court of Madras in the above Company Application directing the convening of the meeting of the equity shareholders of the Applicant Company;

10.2 Copies of the Memorandum and Articles of Association of the Applicant Company and its wholly owned subsidiaries, namely the Transferor Company and the Resulting Company;

10.3 Audited Balance Sheet as at 31st March 2011 of the Applicant Company and its wholly owned subsidiaries, namely the Transferor Company and the Resulting Company;

10.4 Unaudited financial results for the nine months ended 31st December 2011 of the Applicant Company, Transferor Company and the Resulting Company;

10.5 No objection letters dated 19th January 2012, 10th February, 2012 and 17th February, 2012 received by the Applicant Company from Madras Stock Exchange Limited, National Stock Exchange of India Limited and Bombay Stock Exchange Limited;

10.6 Report dated 23rd December 2011 issued by Deloitte Touche Tohmatsu India Private Limited regarding the 'fair share entitlement ratio' for the proposed demerger of Non-automotive related business of the Applicant Company into the Resulting Company (after amalgamation of the Transferor Company with the Applicant Company) and the fair basis for the reorganization of the equity share capital of the Applicant Company consequent to the aforesaid proposed demerger;

10.7 Report dated 23rd December 2011 issued by the merchant banker, namely Enam Securities Private Limited regarding the 'fairness opinion' on the 'fair share entitlement ratio';

10.8 Report dated 23rd December 2011 issued by Deloitte Touche Tohmatsu India Private Limited on valuation of the equity shares of the Resulting Company (post the amalgamation of the Transferor Company) with Applicant Company and the proposed demerger of Non-automotive related business of Applicant Company into the Resulting Company for the purpose of providing a basis for determining the price for the 'exit option' offered in the Scheme to the shareholders of the Resulting Company;

10.9 Approval of the Competition Commission of India (CCI) to the aforesaid Scheme by way of order under Section 31(1) of the Competition Act, 2002 vide Combination Registration No. C-2012/01/23 dated 28th February 2012, in response to an application by the Applicant Company under Section 5(c) and Section 6(2) of the Competition Act, 2002 seeking approval of the CCI for the proposed Composite Scheme of Arrangement among the Applicant Company and its wholly owned subsidiaries;

10.10 Draft Composite Scheme of Arrangement including Amalgamation and Demerger among Sundaram-Clayton Limited and Anusha Investments Limited and Sundaram Investment Limited and their respective shareholders under sections 391 to 394 of the Companies Act, 1956;

10.11 Register of Directors' shareholdings of the Applicant Company; and

10.12 Register of members of the Applicant Company.

THIS STATEMENT MAY BE TREATED AS THE STATEMENT UNDER SECTION 173 AND ALSO UNDER SECTION 393 OF THE COMPANIES ACT, 1956. THE EQUITY SHAREHOLDERS OF THE APPLICANT COMPANY MAY ALSO OBTAIN A COPY OF THE SCHEME AND THIS STATEMENT FROM THE REGISTERED OFFICE OF THE APPLICANT COMPANY DURING ORDINARY BUSINESS HOURS ON ALL WORKING DAYS, EXCEPT SATURDAYS AND SUNDAYS.

Dated at Chennai this 10th day of April 2012

Registered Office:
No.29, Haddows Road
Chennai 600 006

VENU SRINIVASAN
Chairman Appointed for the Meeting

ANNEXURE TO CLAUSE 7.4

SCL / THE APPLICANT COMPANY

SHAREHOLDING PATTERN - PRE & POST SCHEME OF ARRANGEMENT

Shareholding pattern	PRE-DEMERGER		UPON DEMERGER	
	No. of equity shares of Rs.5/- each	%	No. of equity shares of Rs.5/- each	%
Indian Promoters:				
T V Sundram Iyengar & Sons Limited	76,14,660	20.07	38,07,330	20.07
Sundaram Industries Limited	1,21,25,044	31.96	60,62,522	31.96
Southern Roadways Limited	60,62,254	15.98	30,31,127	15.98
Sundaram Finance Limited	45,46,170	11.99	22,73,085	11.99
TOTAL	**3,03,48,128**	**80.00**	**1,51,74,064**	**80.00**
Total public shareholding: (Consisting of mutual funds, financial institutions / banks, foreign institutional investors, bodies corporate, individuals, NRI etc.,)	75,87,040	20.00	37,93,520	20.00
TOTAL	**3,79,35,168**	**100.00**	**1,89,67,584**	**100.00**

SIL / THE RESULTING COMPANY

SHAREHOLDING PATTERN - PRE & POST SCHEME OF ARRANGEMENT

Shareholding pattern		PRE-DEMERGER		UPON DEMERGER	
		No. of equity shares of Rs.5/- each	%	No. of equity shares of Rs.5/- each	%
Indian Promoters:					
Sundaram - Clayton Limited		1,00,000	100.00	–	–
T V Sundram Iyengar & Sons Limited		–	–	38,07,330	20.07
Sundaram Industries Limited		–	–	60,62,522	31.96
Southern Roadways Limited		–	–	30,31,127	15.98
Sundaram Finance Limited		–	–	22,73,085	11.99
Total promoters shareholding	A	1,00,000	100.00	**1,51,74,064**	**80.00**
Total public shareholding opting for equity shares: (Consisting of mutual funds, financial institutions/ banks, foreign institutional investors, bodies corporate, individuals, NRI etc.,)	B			**37,93,520**	**20.00**
Total	(A+ B)	1,00,000	100.00	**1,89,67,584**	100.00
If public shareholders opt for preference shares in lieu of equity shares: (Consisting of mutual funds, financial institutions/ banks, foreign institutional investors, bodies corporate, individuals etc.,)				37,50,780(*)	
		–	–	**37,50,780(**)**	

(*) This figure will undergo change depending upon the exercise of the option by public shareholders excluding NRI shareholders not given an option to receive NRPS in lieu of equity shares.

(**) 8% Non-cumulative Redeemable Preference Shares of Rs.5/- each.

A COMPOSITE SCHEME OF ARRANGEMENT INCLUDING

AMALGAMATION AND DEMERGER

AMONG

SUNDARAM-CLAYTON LIMITED

AND

ANUSHA INVESTMENTS LIMITED

AND

SUNDARAM INVESTMENT LIMITED

AND

THEIR RESPECTIVE SHAREHOLDERS

UNDER SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956

GENERAL

1. PRELIMINARY

This is a Composite Scheme of Arrangement pursuant to Section 391 read with provisions of Section 394 and other applicable provisions, if any, of the Companies Act, 1956.

Though the Scheme is divided into parts for the purpose of convenience, it is to be implemented as a single inseparable comprehensive scheme of arrangement.

Following are parties to the Scheme:

S.No	Name of the Company
1.	SUNDARAM-CLAYTON LIMITED - a Company incorporated under the Companies Act, 1956 having its registered office at 29 Haddows Road, Chennai - 600 006 (hereafter referred to as "SCL");
2.	ANUSHA INVESTMENTS LIMITED - a Company incorporated under the Companies Act, 1956 having its registered office at 29 Haddows Road, Chennai - 600 006 (hereafter referred to as "AIL"); and
3.	SUNDARAM INVESTMENT LIMITED - a Company incorporated under the Companies Act, 1956 having its registered office at 29 Haddows Road, Chennai - 600 006 (hereafter referred to as "SIL")

The Scheme is divided into following parts:

Part I - deals with Definitions and Share Capital;

Part II - deals with Amalgamation of Anusha Investments Limited with Sundaram-Clayton Limited;

Part III - deals with Demerger of "Non automotive related business" of Sundaram-Clayton Limited after amalgamation as envisaged in Part II of the Scheme into Sundaram Investment Limited;

Part IV - deals with the Reduction and Re-organization of equity share capital of Sundaram-Clayton Limited consequent to the demerger of the Non-automotive related business into Sundaram Investment Limited pursuant to the provisions of this Scheme;

Part V - deals with the non-listing of shares of Sundaram Investment Limited and exit opportunity to the shareholders of Sundaram Investment Limited; and

Part VI - deals with the general terms and conditions that would be applicable to the Scheme.

INTRODUCTION

The present comprehensive scheme of arrangement involves:

(i) amalgamation of Anusha Investments Limited (hereinafter referred to as "AIL" or "Transferor Company") with Sundaram-Clayton Limited (hereinafter referred to as "SCL");

(ii) demerger of the "Non-automotive related business" (hereinafter referred to as "Demerged Undertaking") of Sundaram-Clayton Limited (hereinafter referred to as "SCL" or "Demerged Company", as the case may be) into Sundaram Investment Limited (hereinafter referred to as "SIL" or "Resulting Company" , as the case may be), and consequential reorganization of the capital including reduction of equity share capital and reserves of the Demerged Company;

(iii) providing a voluntary exit opportunity to the shareholders of the Resulting Company; and

(iv) various other matters consequential, supplemental and / or otherwise integrally connected therewith.

(A) SCL (as hereinafter defined) is engaged in the business of:

(i) manufacture and sale of non-ferrous aluminium castings for automobiles as own business and manufacture and sale of automotive and ancillary products carried on through its direct and indirect subsidiaries and SEBI registered Share Transfer Agent (STA) (hereinafter referred to as the "Automotive related business" or "Remaining Business", as hereinafter defined) as the case may be; and

(ii) trading in electronic hardware as part of its own operations and manufacture of electronics hardware, software services, finance, investment and asset management business carried on through its direct and indirect subsidiaries (hereinafter referred to as "Non-automotive related business" or "Demerged Undertaking", as hereinafter defined) as the case may be.

(B) The Resulting Company (as hereinafter defined) is incorporated with, *inter alia*, the main object of trading and investment activities.

(C) The Resulting Company shall remain a public limited company, whose shares will not be listed on any Stock Exchanges, after the vesting of the "Non-automotive related business" from the Demerged Company. The shares of the Resulting Company are, not to be listed, due to, among other factors:

- its status to be and to remain as a holding company of the companies, which carry on the "Non-automotive related business";
- its limited revenue streams and resultant limited scope for declaration of dividend;
- likely low market capitalisation;
- low return on net worth; and
- the public holding herein being below the requirement of minimum non-promoters shareholding of 25%.

The Scheme provides an exit opportunity to the public shareholders of the Demerged Company who would be allotted new shares of the Resulting Company pursuant to this Scheme.

(D) Apart from the assets relating to the "Non-automotive related business" held by SCL, the shares of TVS Investments Limited (TVSI) (as hereinafter defined), a wholly owned subsidiary of SCL, whose subsidiaries are engaged in the businesses of electronics hardware manufacture, computer software services, after sale services of third party products, financial services and asset management company and which constitute the dominant part of the "Non-automotive related business" assets of SCL will be transferred, under the Scheme, to the Resulting Company. Therefore, TVSI will become the 100% subsidiary of the Resulting Company.

(E) Similarly, apart from the assets relating to the "Automotive related business" held by the Demerged Company and its wholly owned subsidiary, namely AIL (as hereinafter defined), whose investments include a dominant part of the "Automotive related business" assets, AIL will be amalgamated and merged into SCL, as part of this Scheme.

(F) The Board of Directors of the Companies that are parties to the Scheme have proposed, a single composite scheme of arrangement including amalgamation and demerger, as follows;

(i) to amalgamate AIL with SCL on a going concern basis;

(ii) to demerge and transfer the "Non-automotive related business" of the Demerged Company, in order to provide focused leadership and management, to the Resulting Company upon the coming into effect of this Scheme (as hereinafter defined);

(iii) issue and allotment by the Resulting Company of its fully paid up shares to the shareholders of the Demerged Company in proportion to their respective shareholding in the Demerged Company and in the manner set out in the Scheme on the Record Date (as hereinafter defined); and

(iv) matters incidental or consequential with reference to the above.

PART - I

Definitions and Share Capital

2. DEFINITIONS

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

2.1 "Act" or "the Act" means the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.

2.2 "Assets" shall mean and include all the individual assets and properties wherever situate, whether movable or immovable, (both freehold and leasehold) tangible or intangible, present or contingent and the entire businesses of the Transferor Company or the Demerged Undertaking (as hereinafter defined) of the Demerged Company or the Automotive Related business (as hereinafter defined) of the Demerged Company, as the case may be, including the following, all at book value:

2.2.1 intellectual property including copyrights (including books, merchandise, manuscript) exhibition and transcription rights of all kinds, whether in possession or reversion, present or contingent, fixed assets, work-in-progress, advances for assets, inventories, stock in trade, current assets, investments, deposits, buildings, offices, furniture, fixtures, office equipment, appliances, accessories, claims (present or contingent), bank accounts and cash appertaining or relatable to the Transferor Company or the Demerged Undertaking (as hereinafter defined) of the Demerged Company or the Automotive Related business (as hereinafter defined) of the Demerged Company, as the case may be;

2.2.2 all permits, rights, entitlements including import quotas, rights, industrial and other licenses, sales tax and excise duty licenses, and also with export-import authority including advance licenses and all other licenses, duty entitlement pass books, duty refund against export obligations rights of way, powers, authorities, allotments, approvals and consents, permits, quotas, subsidies and incentives, registrations, contracts, engagements, arrangements, rights, titles, interests, benefits and advantages of whatsoever nature and wheresoever situated belonging to or in the ownership, power, use or possession and in the control of or vested in or granted in favour of or enjoyed by the Transferor Company or the Demerged Undertaking (as hereinafter defined) of the Demerged Company or the Automotive Related business (as hereinafter defined) of the Demerged Company, as the case may be, including but without being limited to all patents, trademarks, trade names, copy rights, brands, goodwill and other commercial rights of any nature, whatsoever and licenses in respect thereof, privileges, liberties, easements, advantages, benefits, leases of land and/or building properties, freehold properties, plants and machinery, vehicles etc, tenancy rights, ownership flats, authorizations, registrations and entitlements like electricity, right to use and avail of telephones, telexes, facsimile connections and installations, utilities, electricity, water, gas connections, other fuel and power, and electronic and other services, reserves, provisions, funds, financial assets, benefits of all agreements and deposits, any tax benefits direct or indirect including advance tax paid or any tax deducted in respect of any income received and all other interests belonging to or in the ownership, power or possession or in the control of or vested in or granted in favour of or enjoyed by the Transferor Company or the Demerged Undertaking (as hereinafter defined) of the Demerged Company or the Automotive Related business (as hereinafter defined) of the Demerged Company, as the case may be; and

2.2.3 all records, files, papers, computer program, computer software manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers, customer credit information, customer pricing information, and other records, whether in physical form or electronic form in connection with or relating to the Transferor Company or the Demerged Undertaking (as hereinafter defined) of the Demerged Company or the Automotive Related business (as hereinafter defined) of the Demerged Company, as the case may be.

2.3 "Automotive related business" means the manufacture and sale of non-ferrous aluminium castings for automobile as own business and manufacture and sale of automotive and ancillary products carried on through its direct and indirect subsidiaries by SCL and also activities carried on by SCL as Share Transfer Agent (hereinafter referred to as the "Remaining business").

2.4 "Amalgamation" means the amalgamation of Anusha Investments Limited with Sundaram-Clayton Limited, as set out in Part II of the Scheme.

2.5 "Appointed Date" for the purpose of this Scheme and for Income Tax Act, 1961, means 7th July 2011.

2.6 "Book Value" means the value of Assets and Liabilities as appearing in the balance sheet of the Transferor Company or SCL, as the case may be.

2.7 "Court" or "High Court" means the Hon'ble High Court of Judicature at Madras.

2.8 "Demerged Company" means Sundaram-Clayton Limited, after giving effect to Part II of the Scheme.

2.9 "Demerged Undertaking" or "Demerged Undertaking of SCL" means the entire "Non-automotive related business" of SCL on a going concern basis including Assets and Liabilities more particularly set out in Annexure A to this Scheme. Without limiting generality of the foregoing, the Demerged Undertaking of SCL shall include:

2.9.1 all permits, authorizations, licences, consents, registrations, approvals, rights, entitlements, allotments, interests, benefits, exemptions, concessions, remissions, subsidies, tax deferrals, privileges, easements and advantages, facilities, rights, powers and interests (whether vested or contingent) relating to the Demerged Undertaking of SCL;

2.9.2 all earnest money and/or deposits including security deposits paid by SCL to third parties in connection with or relating to the Demerged Undertaking of SCL;

2.9.3 all agreements, contracts, arrangements, understandings, deeds and instruments including hire purchase agreements, lease agreements, tenancy rights, equipment purchase agreements, agreements with clients relating to the Demerged Undertaking of SCL and all rights, title, interest, claim and benefits thereunder;

2.9.4 all telephone, facsimile connections, email connections, and communication facilities and installations of the Demerged Undertaking of SCL;

2.9.5 all records, files, papers, computer programs, manuals, data, lists of present and former customers and similar other records, whether in physical form or electronic form in connection with or relating to the Demerged Undertaking of SCL;

2.9.6 all existing shares of TVSI held by SCL;

2.9.7 Investment of AIL in equity shares and Optionally Fully Convertible Debenture (OFCD) of Sundaram Engineering Products Services Limited (SEPSL) which vest in or become ownership of SCL pursuant to amalgamation of AIL with SCL as per Part II of this Scheme

2.9.8 Identified employees of SCL as per the decision of the Board of Directors of SCL. For the purpose of this Scheme, it is clarified that liabilities pertaining to the "Non-automotive related business" shall, *inter alia*, include:

(i) Liabilities, which arise out of the activities or operations of the said business; and

(ii) Specific loans and borrowings raised, incurred and utilized solely for the activities or operations of the said business.

2.10 "Demerger" means demerger of "Demerged Undertaking" or "Non-automotive related business", of the Demerged Company, to the Resulting Company in consideration of the issue and allotment of fully paid up Shares by the Resulting Company to the equity shareholders of the Demerged Company, as set out in Part III hereof in compliance with the provisions of section 2(19AA) of the Income-Tax Act, 1961.

2.11 "Effective Date" or "coming into effect of this Scheme" means the last of the dates on which the sanctions, approvals or orders specified in Clause 35 of this Scheme have been fulfilled or waived, as the case may be, and approvals and consents, referred to herein, have been obtained and the later of the date on which the authenticated / certified copy of the Order of the High Court of Judicature at Madras is filed with the Registrar of Companies, Chennai, Tamilnadu by the respective companies.

2.12 "Eligible Members" means with reference to the Resulting Company, shareholders other than the TVS Group (as hereinafter defined).

2.13 "Eligible Shareholders" means with reference to the Resulting Company, shareholders other than TVS Group and non-resident shareholders (as hereinafter defined).

2.14 "Encumbrance" means any option, pledge, mortgage, lien, security interest, claim, charge, pre-emptive right, easement, limitation, attachment, restraint or any other encumbrance of any kind or nature whatsoever.

2.15 "Government Authority" means any applicable central, state or local government, legislative body, regulatory or administrative authority, agency or commission or any court, tribunal, board, bureau, instrumentality, judicial or arbitral body having jurisdiction over the territory of India.

2.16 "Liabilities" shall mean and include all debts, liabilities, loans, borrowings, bills payable, deposits, security deposits, interest accrued, contingent liabilities and all other liabilities, duties, undertakings, contractual obligations, guarantees given and obligations of, the Transferor Company or the Demerged Undertaking of the Demerged Company or the Automotive Related business of the Demerged Company, as the case may be, as on the Appointed Date along with any charge, encumbrance, lien or security thereon including:

2.16.1 Liabilities on account of loans and advances from secured creditors, unsecured creditors, and contingent liabilities not provided in the books of the Transferor Company or the Demerged Company, as the case may be; and

2.16.2 Obligations of whatsoever kind including liabilities for payment of gratuity, pension benefits, provident fund or compensation in the event of retrenchment.

2.17 "Scheme" or "the Scheme" or "this Scheme" means this Composite Scheme of Arrangement including Amalgamation and Demerger in its present form submitted to the Hon'ble High Court of Judicature at Madras for sanction with any modification(s) approved or imposed or directed by the shareholders of the respective companies or the Hon'ble High Court.

2.18 "Resulting Company" means Sundaram Investment Limited, a company incorporated under the provisions of the Act, having its Registered Office at No.29 Haddows Road, Chennai 600 006.

2.19 "Record Date" means the date to be fixed by the Board of Directors or Committee appointed by the Board of Directors of Demerged Company in consultation with the Board of Directors of the Resulting Company for the purpose of (a) issue of shares of Sundaram Investment Limited to the equity shareholders of the Demerged Company as per this Scheme; and (b) reorganization of share capital of SCL.

2.20 "Remaining Business" means all the business of Demerged Company remaining with Demerged Company after transfer of the '"Non-automotive related business", pursuant to Part III of the Scheme.

2.21 "Sundaram-Clayton Limited" or "SCL" means a company incorporated under the provisions of the Act, having its Registered Office at No.29 Haddows Road, Chennai 600 006.

2.22 "Transferor Company" means Anusha Investments Limited, a company incorporated under the provisions of the Act, having its Registered Office at No.29 Haddows Road, Chennai 600 006.

2.23 "TVS Group" means the promoter group comprising T V Sundram Iyengar & Sons Limited, Southern Roadways Limited, Sundaram Industries Limited and Sundaram Finance Limited .

2.24 "Undertaking" means the respective businesses of, the Transferor Company or the Demerged Company, as the case may be; on a going concern basis and shall also include all the Assets, Liabilities and employees of, the Transferor Company or the Demerged Undertaking of the Demerged Company, as the case may be.

OPERATIVE DATE OF THE SCHEME

The Scheme, though operative from the Appointed Date, shall become effective from the Effective Date.

3. SHARE CAPITAL

3.1 The present Share Capital of SCL is as under:

Particulars	Amount in Rs.
Authorised: 4,00,00,000 Equity Shares of Rs.5/- each	20,00,00,000
Issued, Subscribed & Paid up : 3,79,35,168 Equity Shares of Rs.5/- each fully paid up	18,96,75,840

3.2 The present Share Capital of AIL is as under:

Particulars	Amount in Rs.
Authorised: 5,00,000 Equity Shares of Rs.100/- each	5,00,00,000
Issued, Subscribed & Paid up : 5,00,000 Equity Shares of Rs.100/- each fully paid up	5,00,00,000

Entire issued and paid up capital of AIL is held by SCL and its six nominees.

3.3 The present Share Capital of SIL is as under:

Particulars	Amount in Rs.
Authorised: 5,00,000 Equity Shares of Rs.5/- each	25,00,000
Issued, Subscribed & Paid up : 1,00,000 Equity Shares of Rs.5/- each fully paid up	5,00,000

Entire issued and paid up capital of SIL is held by SCL and its six nominees.

PART - II

AMALGAMATION OF ANUSHA INVESTMENTS LIMITED WITH SUNDARAM-CLAYTON LIMITED

4. TRANSFER AND VESTING

4.1 Upon the coming into effect of this Scheme and with effect from the opening of business as on the Appointed Date, the Transferor Company shall, pursuant to Section 394(2) of the Act, without any further act, instrument or deed, but subject to the Liabilities, be and stand transferred to and vested in SCL, as a going concern so as to become as and from the Appointed Date, estate, assets, rights, title, interest, and authorities of SCL under the provisions of Sections 391 and 394 of the Act.

4.2 Without prejudice to Clause 4.1 above, in respect of such of the assets as are moveable assets or incorporeal property of the Transferor Company unless they are capable of being transferred otherwise, they shall be physically handed over by manual delivery or by endorsement and / or delivery to SCL, as a going concern so as to become as and from the Appointed Date, the estate, rights, title and interest and authorities of SCL.

4.3 In respect of such assets and movables other than those referred to above in Clause 4.2 i.e. sundry debtors, outstanding loans, all advances recoverable in cash or in kind or for value to be received, bank balances and deposits with Government, Semi-Government, local and other authorities and bodies, etc., the same shall, without any further act, deed or instrument, be transferred to and vested in and /or be deemed to be transferred and vested in SCL as and from the Appointed Date.

4.4 With effect from the Appointed Date, all the Liabilities of the Transferor Company shall, without any further act, instrument or deed, stand transferred to and vested in or deemed to have been transferred to and vested in SCL so as to become the debts, liabilities, duties, and obligations of SCL, as and from the Appointed Date 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, the Scheme shall not operate to enlarge the security for any loan, deposit or facility availed by the Transferor Company and SCL shall not be obliged to create any further or additional security therefor after the Effective Date.

4.5 It is hereby clarified that all inter party transactions between the Transferor Company and SCL shall be considered as intra party transactions for all purposes from the Appointed Date and the same shall stand cancelled post the approval of the Scheme.

4.6 All assets, investments, estate, rights, title, interest, licenses and authorities acquired by or permits, quotas, approvals, permissions, incentives, sales tax deferrals, loans or benefits, subsidies, concessions, grants, rights, claims, leases, tenancy rights, liberties, rehabilitation schemes and other assets, special status and other benefits or privileges, enjoyed or conferred upon or held or availed of by and / or all rights and benefits that have accrued or which may accrue to the Transferor Company after the Appointed Date and prior to the Effective Date in connection with or in relation to the operation of the Undertaking of the Transferor Company shall, pursuant to the provisions of Section 394(2) of the Act, without any further act, instrument or deed, be and hereby stand transferred to and vested or deemed to have been transferred to and vested in SCL.

4.7 All loans, raised and utilized and all debts, duties, undertakings, liabilities and obligations incurred or undertaken by the Transferor Company in relation to or in connection with the Undertaking of the Transferor Company, after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used, incurred or undertaken for and on behalf of SCL and to the extent they are outstanding on the Effective Date, shall, upon the coming into effect of this Scheme, pursuant to the provisions of Section 394(2) of the Act, without any further act, instrument or deed, be and stand transferred to or vested in or be deemed to have been transferred to and vested in SCL and shall become the debt, duties, undertakings, liabilities and obligations of SCL, which shall meet, discharge and satisfy the same.

4.8 The resolutions, if any, of the Transferor Company, which are valid and subsisting on the Effective Date, shall be continued to be valid and subsisting and be considered as resolutions of SCL and if any such resolutions have upper monetary or other limits being imposed under the provisions of the Act, or any other applicable provisions, then said limits shall be added and shall constitute the aggregate of the said limits in SCL.

4.9 This Scheme shall not, in any manner, affect the rights of any of the creditors of the Transferor Company.

4.10 This part of the Scheme has been drawn up to comply with the conditions relating to "Amalgamation" as specified under Section 2(1B) of the Income Tax Act, 1961 or any statutory modification or re-enactment thereof. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Section, at a later date, including resulting from an amendment of law or for any other reason whatsoever upto the Effective Date, the provisions of the said Section of the Income Tax Act, 1961 or re-enactment thereof shall prevail and the Scheme shall stand modified to the extent determined necessary to

comply with Section 2(1B) of the Income Tax Act, 1961 or re-enactment thereof. Such modification will, however, not affect the other parts of the Scheme.

5. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

5.1 Without any further acts or deeds, upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, incentives, licenses, engagements, registrations, benefits, exemptions, entitlements, arrangements and other instruments of whatsoever nature, including all the bids and tenders which have been submitted and / or accepted, in relation to the Transferor Company to which the Transferor Company is a party or to the benefit of which the Transferor Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect on or against or in favour of, as the case may be, and may be enforced as fully and effectually as if, instead of the Transferor Company, SCL had been a party or beneficiary or obligee thereto without the requirement of obtaining or seeking consent or approval of any third party.

5.2 The transfer of the Undertaking of the Transferor Company from the Appointed Date, as above and the continuance of proceedings by or against SCL under Clause 6 below, shall not affect any transaction or proceeding already concluded by the Transferor Company on and after the Appointed Date to the end and intent that SCL accepts and adopts all acts, deeds and things done and executed by the Transferor Company including investments in securities of any entity and the Transferor Company shall be deemed to have carried on and to be carrying on its business on behalf of SCL, until such time this Scheme comes into effect.

6. LEGAL PROCEEDINGS

6.1 Upon the coming into effect of this Scheme, all suits, actions and proceedings by or against the Transferor Company, pending and / or arising on or before the Effective Date shall be continued and be enforced by or against SCL effectually and in the same manner and to the same extent, as if the same had been pending and / or arising by or against the Transferor Company.

6.2 SCL shall undertake to have all legal or other proceedings initiated by or against the Transferor Company referred to in Clause 6.1 above transferred to its name and to have the same continued, prosecuted and enforced by or against SCL.

7. CONDUCT OF BUSINESS BY THE TRANSFEROR COMPANY TILL EFFECTIVE DATE

With effect from the Appointed Date and upto the Effective Date, the Transferor Company:

7.1 Shall carry on and be deemed to carry on all the business and activities as hitherto and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Undertaking on account of, and for the benefit of and in trust for SCL and all the profits or losses, arising or incurred by the Transferor Company shall, for all purposes, be treated and be deemed to be and to accrue as the profits or losses of SCL, as the case may be.

7.2 Shall carry on its business and activities with reasonable diligence and business prudence and shall not, except with notice to or knowledge of, undertake any additional financial commitments of any nature whatsoever, borrow any amounts nor incur any other liabilities or expenditure, issue any additional guarantees, indemnities, letters of comfort or commitments either for itself or on behalf of its subsidiaries or group companies or any third party, or sell, transfer, alienate, charge, mortgage or encumber or deal with the Undertaking, save and except in each case in the following circumstances :

(i) if the same is in its ordinary course of business, as carried on by it as on the date of filing this Scheme with Court; or

(ii) if the same is expressly permitted by this Scheme; or

(iii) if written consent of the Board of Directors of SCL has been obtained.

8. TREATMENT OF THE SCHEME IN THE ACCOUNTS

8.1 SCL shall account for the amalgamation of Transferor Company as per the Purchase Method under Accounting Standard 14 - Accounting for Amalgamations (AS - 14) as stated in the Companies (Accounting Standards) Rules, 2006 and any amendments thereto.

8.2 The Assets and Liabilities of the Transferor Company transferred on the amalgamation shall be accounted for in the books of SCL at the book values as appearing in the books of the Transferor Company.

8.3 The excess of the Book Value of the Assets of the Transferor Company over the Liabilities of the Transferor Company, acquired by or vested in SCL, pursuant to the amalgamation as per the Scheme, shall be credited to "Capital Reserve" in SCL. Such Capital Reserve shall be dealt with in the manner provided for in the Scheme.

8.4 The reserves of the Transferor Company shall lose its identity except Statutory Reserve of Rs. 2844.98 lacs. As provided in AS-14, the said Statutory Reserve shall be credited to the Statutory Reserve in the books of SCL, with a corresponding effect being given to "Amalgamation Adjustment Account" of SCL.

8.5 Upon the Scheme coming into effect, to the extent that there are inter-company investments, if any, loans, bonds, debentures, advances, deposit balances or other obligations as between the Transferor Company and SCL, the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of accounts and records of SCL for the cancellation of any such assets or liabilities, as the case may be. The difference, if any, arising by such effects in the books of accounts, shall be adjusted to the Capital Reserve of SCL. For the removal of doubts, it is hereby clarified that there would be no accrual of interest or other charges in respect of any such inter-company investments, loans, debt securities or balances with effect from the Appointed Date.

8.6 Any cost incurred by the Transferor Company for the purpose of executing this Part of the Scheme, not restricted to the costs specified in Clause 37 of this Scheme hereinafter and book value of investment of SCL in shares of the Transferor Company, shall be debited to the Capital Reserve of SCL.

9.

9.1 TREATMENT OF TAXES

9.1.1 Any tax liabilities under the Income Tax Act, 1961, Wealth Tax Act, 1957, Customs Act, 1962, Central Excise Act, 1944, Central Sales Tax Act, 1956, any other State Sales Tax / Value Added Tax laws, Service Tax, stamp laws or other applicable laws / regulations (hereinafter in this Clause referred to as "Tax Laws") dealing with taxes / duties/ levies allocable or related to the business of the Transferor Company to the extent, not provided for or covered by tax provision in the accounts made, as on the date immediately preceding the Appointed Date shall be transferred to SCL.

9.1.2 All taxes (including income tax, wealth tax, sales tax, excise duty, customs duty, service tax, VAT, etc.) paid or payable by the Transferor Company in respect of the operations and / or the profits of the business, on and from the Appointed Date, shall be on account of SCL and, insofar as it relates to the tax payment (including without limitation to income tax, wealth tax, sales tax, excise duty, customs duty, service tax, VAT, etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by the Transferor Company in respect of the profits or activities or operation of the business on and from the Appointed Date, the same shall be deemed to be the corresponding item paid by SCL and, shall, in all proceedings, be dealt with accordingly.

9.1.3 Any refund under the Tax Laws received by / due to Transferor Company consequent to the assessments made on Transferor Company subsequent to the Appointed Date pertaining to

the business transferred and for which no credit is taken in the accounts as on the date immediately preceding the Appointed Date, shall also belong to and be received by SCL.

9.1.4 Without prejudice to the generality of the above, all benefits under the income tax including dividend tax, sales tax, MAT, excise duty, customs duty, service tax, VAT, etc., to which the Transferor Company is entitled to in terms of the applicable Tax Laws of the Union and State Governments, shall be available to and vest in SCL.

9.2 DECLARATION OF DIVIDEND

9.2.1 With effect from the date of filing of this Scheme with the Hon'ble High Court and up to and including the Effective Date, the Transferor Company and SCL shall be entitled to declare and pay dividends, whether interim or final, to their respective equity shareholders as on the respective record dates for the purpose of dividend.

9.2.2 Until the coming into effect of this Scheme, the holder of equity shares of the Transferor Company and SCL shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing rights under their respective Articles of Association including their right to receive dividend.

9.2.3 It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final are enabling provisions only and shall not be deemed to confer any right on any member of the Transferor Company and / or SCL to demand or claim any dividend which, subject to the provisions of the Act, shall be entirely at the discretion of the respective Board of Directors of the Transferor Company and SCL and subject, wherever necessary, to the approval of the equity shareholders of the Transferor Company and SCL, respectively.

9.2.4 Any dividend distribution tax paid by the Transferor Company in respect of dividend declared and distributed subsequent to the "Appointed Date" and upto the "Effective Date" shall be deemed to have been paid by SCL and all the applicable provisions of dividend distribution tax shall apply to SCL, as if the dividend distribution tax was paid by SCL.

10. EMPLOYEES

10.1 All the employees of the Transferor Company in service on the Effective Date shall become the employees of SCL on such date, without any break or interruption in service and on terms and conditions, as to remuneration not less favourable than those subsisting with reference to the Transferor Company as on the said date.

10.2 As far as the provident fund, gratuity fund or any other special fund or schemes existing for the benefit of the employees of the Transferor Company concerned, upon the coming into effect of this Scheme, SCL shall be substituted and / or transferred from Transferor Company for all purposes whatsoever related to the administration / operation of such funds or schemes or in relation to the obligation to make contribution to the said funds or schemes in accordance with provisions of such funds or schemes according to the terms provided in the respective trust deeds or other documents and till such time shall be maintained separately. All the rights, duties, powers and obligations of the Transferor Company in relation to such funds or schemes shall become those of SCL and the services of the employees will be treated as being continuous for the purpose of the aforesaid funds or schemes.

11. CANCELLATION OF INVESTMENTS AND EFFECT IN CAPITAL CLAUSE IN MEMORANDUM OF ASSOCIATION OF SCL.

11.1 This is an amalgamation of a wholly owned subsidiary with its holding company. Therefore, upon this Scheme coming into effect, no shares of SCL shall be issued and after giving effect to Part II of the Scheme, the entire equity shares held by SCL in the Transferor Company shall stand cancelled.

11.2 Upon the Scheme coming into effect, the Authorised Share Capital of Transferor Company will get merged with that of SCL without payment of additional fees and duties, as the said

fees had already been paid by the Transferor Company and the Authorised Share Capital of SCL will be increased to that extent. Consequent upon the amalgamation, the Authorised Share Capital of SCL will be as under:

Authorised:	Rs.
5,00,00,000 Equity Shares of Rs.5/- each	25,00,00,000

11.3 The capital clause of the memorandum of association and articles of association of the SCL shall without any further act or deed, be replaced by the following clauses:

Memorandum of Association:

V. The authorized share capital of the Company is Rs.25,00,00,000 (Rupees Twenty five crores only) divided into 5,00,00,000 (Five crores) equity shares of Rs.5/- each.

The Company has the power, from time to time, to increase or reduce its capital and to issue any shares in the original or new capital as equity or preferred shares, and to attach to any classes of such shares, any preference, rights, privileges or priorities in payment of dividends or distribution of assets or otherwise over any other shares or to subject the same to any restrictions, limitations or conditions and to vary the regulations of the Company as far as necessary to give effect to the same and upon the sub-division of any shares to apportion the right to participate in profits in any manner.

Articles of Association:

3. The authorized share capital of the Company is Rs.25,00,00,000 (Rupees Twenty five crores only) divided into 5,00,00,000 (Five crores) equity shares of Rs.5/- each.

12.

12.1 It is clarified that SCL, for the purpose of amendment in the Authorized Share Capital and corresponding amendment in the Memorandum of Association and Articles of Association, shall not be required to pass a separate Resolution under Section 16, Section 31 or any other provisions of the Act, and on the members of SCL approving the Scheme, it shall be deemed that the shareholders of SCL have given their consent for the amendment to the Authorized Share Capital and consequent amendment in Memorandum of Association and Articles of Association of SCL, as required under Section 16, Section 31 and other applicable provisions of the Act.

12.2 It is further clarified that it shall be deemed that the members of SCL have also resolved and accorded all relevant consents under Section 149 of the Act or any other provisions of the Act for the commencement of any business or activities currently being carried on by the Transferor Company in relation to any of the objects contained in the Memorandum of Association of SCL, including sub-clause 45(i) of clause III of the Memorandum of association of SCL thereof, to the extent the same may be considered applicable without SCL requiring to follow the procedure under section 149 (1) or Section 149 (2A)(a) of the Act, in order to carry on the activities currently being carried on by the Transferor Company, upon the approval of the Scheme by the members of the Transferor Company and the members of SCL pursuant to Section 391 of the Act.

13. RESTRICTION ON CHANGE OF CAPITAL STRUCTURE

With effect from the Appointed Date and upto the Effective Date, the Transferor Company and SCL shall not make any change in their respective capital structure either by any increase, (by issue of equity shares on a rights basis, bonus shares, convertible debentures or otherwise), decrease, reduction, re-classification, sub-division or consolidation, re-organization, or in any other manner except by mutual consent of the respective Board of Directors of the Transferor Company and SCL or except, as may be expressly permitted under this Scheme.

14. DISSOLUTION OF TRANSFEROR COMPANY

On the Scheme becoming effective, the Transferor Company shall be dissolved without the process of being wound up.

PART - III

DEMERGER OF "NON AUTOMOTIVE RELATED BUSINESS" OF SUNDARAM-CLAYTON LIMITED INTO SUNDARAM INVESTMENT LIMITED

This Part of the Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under the tax laws, including section 2(19AA) of the Income Tax Act, 1961, which provides for the following conditions:

a. All the property of the Demerged Undertaking, being transferred by the Demerged Company, immediately before the Demerger, becomes the property of the Resulting Company by virtue of the demerger;

b. All the liabilities relatable to the Demerged Undertaking, being transferred by the Demerged Company, immediately before the Demerger, become the liabilities of the Resulting Company by virtue of the Demerger;

c. The property and liabilities of the Demerged Undertaking being transferred by the Demerged Company are transferred at values appearing in its books of account immediately before the Demerger;

d. The Resulting Company issues, in consideration for the demerger, its shares to the shareholders of the Demerged Company on a proportionate basis;

e. The shareholders holding not less than three-fourths in value of the shares in the Demerged Company (other than shares already held therein immediately before the demerger, or by a nominee for, the Resulting Company or, its subsidiary) become shareholders of the Resulting Company by virtue of the Demerger, otherwise than as a result of the acquisition of the property or assets of the Demerged Company or any undertaking thereof by the Resulting Company;

f. The transfer of the Demerged Undertaking is on a going concern basis;

g. The Demerger is in accordance with the conditions, if any, notified under sub section (5) of section 72A of the Income Tax Act, 1961 by the Central Government in this behalf and other relevant sections of the Income Tax Act, 1961.

If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date, whether, as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. Such modification shall, however, not affect other parts of the Scheme. The power to make such amendments, as may become necessary, shall vest in the Board of Directors/ Committee of Directors of Demerged Company, which power shall be exercised reasonably in the best interests of the companies and their shareholders, and which power can be exercised at any time, whether before or after the "Effective Date".

15. TRANSFER OF DEMERGED UNDERTAKING

15.1 Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Demerged Undertaking (comprising of the entire "Non automotive related business") shall, pursuant to the provisions contained in Section 394(2) and other applicable provisions, if any, of the Act and other provisions of law for the time being in force and without any further act or deed, be demerged from the Demerged Company, and be transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company on the Appointed Date, on a going concern basis, so as to become as and from the Appointed Date, the undertaking of the Resulting Company, and to vest in the Resulting Company all the rights, title, interest or obligations of the Demerged Company therein.

15.2 The Demerged Company and the Resulting Company, if required, shall enter into transitional arrangements and shall be deemed to be authorized to execute any such arrangements and to carry out or perform all such formalities or compliances, as may be deemed proper and necessary, for effecting the transfer and vesting of the properties of the Demerged Undertaking in the Resulting Company.

15.3 All assets (including fixed assets, investments, current assets, cash and bank balances) acquired by the Demerged Company after the "Appointed Date" and prior to the "Effective Date" for operation of the Demerged Undertaking or pertaining to the Demerged Undertaking, shall be deemed to have been acquired for and on behalf of the Resulting Company.

15.4 In respect of such of the assets of the Demerged Undertaking, as are movable in nature or are otherwise capable of transfer by manual delivery, by paying over or by endorsement and delivery, the same may be so delivered, paid over, or endorsed and delivered, by the Demerged Company and shall become the property of the Resulting Company, as an integral part of the Demerged Undertaking transferred to it. Such delivery shall be made on a date mutually agreed upon between the Board of Directors (or a duly authorized Committee) of the Demerged Company and the Board of Directors (or a duly authorized committee) of the Resulting Company within thirty days from the Effective Date.

15.5 In respect of movable assets of the Demerged Undertaking other than those specified in Clause 15.4 above, which are to be transferred to the Resulting Company, 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 sub-clause, and such transfer shall be effected by notice to the concerned persons, or in any manner as may be mutually agreed by the Demerged Company and the Resulting Company.

15.6 In respect of such of the assets of the Demerged Undertaking other than those referred to in Clauses 15.4 and 15.5 above, the same shall, as more particularly provided in Clause 15.1 above, without any further act, instrument or deed, be transferred to and vested in and/ or be deemed to be transferred to and vested in the Resulting Company on the Appointed Date pursuant to the provisions of Section 394 of the Act or other provisions of law as applicable.

15.7 It is hereby clarified that the Remaining Business of the Demerged Company shall continue to vest in the Demerged Company.

15.8 For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of this Scheme, in accordance with the provisions of relevant laws, consents, permissions, licenses, registrations, certificates, authorities (including for the operation of bank accounts), power of attorneys given by, issued to or executed in favour of the Demerged Company, and the rights and benefits under the same shall, in so far as they relate to the Demerged Undertaking and all certifications and approvals, trademarks, patents and domain names, copyrights, industrial designs, trade secrets, product registrations and other intellectual property and all other interests relating to the Demerged Undertaking, be transferred to and vested in the Resulting Company. In so far as the various incentives, subsidies (including applications for subsidies), grants, special status and other benefits or privileges, if any, granted by any Government body, local authority or by any other person; enjoyed or availed of by the Demerged Company are concerned, the same shall, without any further act or deed, in so far as they relate to the Demerged Undertaking, vest in and be available to the Resulting Company on the same terms and conditions.

It is hereby clarified that the trademarks in respect of the Non-automotive related business owned by the Demerged Company will be listed out in an agreement to be entered into between the Demerged Company on one hand and the Resulting Company on the other. In pursuance of that agreement, trademarks owned by the Demerged Company as per the list attached to the proposed agreement shall stand transferred and vested in the Resulting Company, upon the Scheme becoming effective.

It is also further hereby clarified that the Demerged Company upon the Scheme becoming effective, shall provide non-exclusive right to the Resulting Company to use the trademark 'TVS' or 'Sundaram' in its corporate name and as a trade name and logo, including the right to sub-license it with or without consideration to other entities.

The right to sub-license to other entities will be permitted only where the Resulting Company and/or its subsidiaries, its associates have direct or indirect interest to the extent of at least 25% (twenty five percent) in the equity share capital of such entities.

15.9 It is clarified that, upon the coming into effect of the Scheme, the following liabilities and obligations of the Demerged Company, as on the Appointed Date and being a part of the Demerged Undertaking shall, without any further act or deed be and shall stand transferred to the Resulting Company, and all rights, powers, duties and obligations in relation thereto shall stand transferred to and vested in and shall be exercised by or against the Resulting Company, as if it had entered into such loans or incurred such borrowings and the Resulting Company undertakes to meet, discharge and satisfy the same:

(i) the liabilities which directly and specifically arose out of the activities or operations of the Demerged Undertaking;

(ii) specific loans or borrowings raised, incurred and utilized solely for the activities or operations of the Demerged Undertaking, and

(iii) in cases other than those referred to in sub-clauses (i) and (ii) above, proportionate part of the general or multipurpose borrowings and liabilities of the Demerged Company, allocable to the Demerged Undertaking, in the same proportion in which the value of the assets of the Demerged Company transferred under this Scheme bears to the total value of the assets of the Demerged Company immediately before the Demerger.

15.10 All loans raised and used and all liabilities and obligations incurred by the Demerged Company for the operations of the Demerged Undertaking after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent they are outstanding on the Effective Date, shall also without any further act or deed be and stand transferred to the Resulting Company and shall become its liabilities and obligations.

15.11 Upon the coming into effect of this Scheme, the balances as on the Appointed Date, of general or multipurpose borrowings shall be transferred to and assumed by the Resulting Company in the proportion provided in Clause 15.9 above. Thus, the primary obligation to redeem or repay such transferred liabilities shall be that of the Resulting Company. However, without prejudice to such transfer of proportionate liability amount, where considered necessary for the sake of convenience and towards facilitating single point creditor discharge, the Resulting Company may discharge such liability (including accretions thereto) by making payments on the respective due dates to the Demerged Company, which in turn shall make payments to the respective creditors.

15.12 Upon the coming into effect of this Scheme, in so far as the security in respect of the liabilities of the Demerged Company as on the Appointed Date is concerned, it is hereby clarified that the Demerged Company and the Resulting Company shall, subject to confirmation by the concerned creditor(s), mutually agree upon and arrange for such security, as may be considered necessary, to secure such liabilities.

Provided however, any reference in any security documents or arrangements (to which the Demerged Company is a party) to the assets of the Demerged Company offered or agreed to be offered as security for any financial assistance or obligations pertaining to the Demerged Undertaking, shall be construed as reference only to the assets pertaining to the Demerged Undertaking of the Demerged Company as are vested in the Resulting Company by virtue of the aforesaid Clauses, to the end and intent that such security, charge and mortgage shall not extend or be deemed to extend, to any of the other assets of the Demerged Company or any of the assets of the Resulting Company, save and except as may be otherwise agreed between the Demerged Company, the Resulting Company and the respective lender(s). It is further clarified that upon the coming into effect of this Scheme, in the event any security, charge and/ or mortgage is extended over the assets of the Demerged Company in respect of any financial assistance or obligations pertaining to the Demerged Undertaking vested in the Resulting Company, such security, charge and/ or mortgage shall be deemed to be

carried out as an integral part of the Scheme and all applicable compliances/ clearances/ permissions of regulatory authorities including compliances under Sections 295, 297, 372A of the Act shall be deemed to have been obtained as part of the sanction of the Scheme, and no separate approvals shall be required.

Provided further that the securities, charges and mortgages (if any subsisting) over and in respect of the assets or any part thereof of the Resulting Company shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges or mortgages to the end and intent that such securities, charges and mortgages shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in the Resulting Company.

Provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Demerged Undertaking which shall vest in the Resulting Company by virtue of the Demerger of the Demerged Undertaking into the Resulting Company and the Resulting Company shall not be obliged to create any further or additional security thereof after the Scheme has become operative.

15.13 Upon the coming into effect of this Scheme, the borrowing limits of the Resulting 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 the Demerged Company which are being transferred to the Resulting Company pursuant to the Scheme, such limits being incremental to the existing limits of the Resulting Company, with effect from the Appointed Date.

15.14 The provisions of this Clause insofar as they relate to the transfer of liabilities to the Resulting Company shall operate notwithstanding anything to the contrary contained in any deed or writing or the terms of sanction or issue or any security document, all of which instruments shall stand modified and/ or superseded by the foregoing provisions.

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 Clause.

15.15 It is hereby clarified that all assets and liabilities of the Demerged Undertaking shall be transferred at values appearing in the books of account of the Demerged Company.

16. LEGAL PROCEEDINGS

All legal or other proceedings of whatsoever nature by or against the Demerged Undertaking pending and/ or arising on or after the Appointed Date and relating to the Demerged Undertaking or its properties, assets, debts, liabilities, duties and obligations, shall be continued and/ or enforced until the Effective Date, as desired by Resulting Company and as and from the Effective Date shall be continued and enforced by or against Resulting Company in the same manner and to the same extent as would or might have been continued and enforced by or against the Demerged Company. On and from the Effective Date, the Resulting Company shall and may, if required, initiate any legal proceedings in its name in relation to the Demerged Undertaking in the same manner and to the same extent as would or might have been initiated by Demerged Company.

17. CONTRACTS AND DEEDS

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 Demerged Company (to the extent related to the Demerged Undertaking) is a party and subsisting or having effect on the Effective Date shall be in full force and effect against or in favour of the Resulting Company, as the case may be, and may be enforced by or against Resulting Company as fully and effectually as if, instead of Demerged Company, Resulting Company had been a party thereto. The Resulting Company may enter into and/ or issue and/ or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which the Demerged Company 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. The Resulting Company shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of Demerged Company and to implement or carry

out all formalities required on the part of Demerged Company to give effect to the provisions of this Scheme.

18. BUSINESS AND PROPERTY IN TRUST

As and from the Appointed Date, upto and including the Effective Date:

(i) The Demerged Company (to the extent of the Demerged Undertaking), shall carry on and be deemed to have carried on its business and activities and shall stand possessed of all the assets and properties, in trust for the Resulting Company and shall account for the same to the Resulting Company.

(ii) Income or profit accruing or arising to the Demerged Undertaking and all costs, charges, expenses and losses or taxes incurred by the Demerged Undertaking shall for all purposes be treated as the income, profits, costs, charges, expenses and losses or taxes, as the case may be, of the Resulting Company and shall be available to the Resulting Company for being disposed off in any manner as it thinks fit.

19. CONDUCT OF BUSINESS

With effect from the date of approval of the Scheme by the Board of Directors of the Demerged Company or any Committee appointed by the Board of Directors, and upto the Effective Date:

(i) The Demerged Company (to the extent related to the Demerged Undertaking) shall carry on its business with reasonable diligence and in the same manner as it had been doing hitherto before, and the Demerged Company shall not alter or substantially expand the business of the Demerged Undertaking, except with the written concurrence of Resulting Company.

(ii) The Demerged Company shall not, without the written concurrence of the Resulting Company, transfer, alienate, charge or encumber any business activity of the Demerged Undertaking, or properties (including intellectual property), rights or assets of the Demerged Undertaking, except in the ordinary course of business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the Board of Directors of the Demerged Company.

It is further clarified that the Demerged Company may invest in, transfer, alienate, charge or encumber any business activity of the Demerged Undertaking, or properties (including intellectual property), rights or assets of the Demerged Undertaking including any investments comprised in the Demerged Undertaking, for cash or any other consideration. Further, any such consideration received by the Demerged Company shall constitute a part of the Demerged Undertaking.

(iii) The Demerged Company (to the extent of the Demerged Undertaking) shall not without the written concurrence of the Resulting Company, vary or alter, except in the ordinary course of its business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the Board of Directors of the Demerged Company, the terms and conditions of employment of any of its employees, nor shall it conclude settlement with employees.

20. SAVING OF CONCLUDED TRANSACTIONS

The transfer and vesting of the assets, liabilities and obligations of the Demerged Undertaking and the continuance of proceedings by or against the Resulting Company shall not affect any transaction or proceedings, already concluded by the Demerged Undertaking on or before the date when the Demerged Company adopts the Scheme in its Board / Committee meeting, and after the date of such adoption till the Effective Date, to the end and intent that the Resulting Company accepts and adopts all acts, deeds and things done and executed by the Demerged Undertaking in respect thereto as done and executed on behalf of itself.

21. STAFF AND EMPLOYEES

21.1 Upon the Scheme coming into effect, all staff and employees of the Demerged Undertaking shall be deemed to have become staff and employees of the Resulting Company without any break in their service and on the basis of continuity of service and the terms and conditions

of their employment with the Resulting Company shall not be less favourable than those applicable to them with reference to the Demerged Undertaking of SCL on the Effective Date.

21.2 Upon the Scheme coming into effect, the accounts of the employees of the Demerged Undertaking relating to Provident Fund, Gratuity and any other trusts/ funds shall be identified, determined and transferred to the respective funds/ trusts of the Resulting Company and the employees shall be deemed to have become members of such funds/ trusts of the Resulting Company. The Demerged Company shall take all steps necessary for the transfer of the Provident Fund, Gratuity trust and any other fund of employees, pursuant to the Scheme, to the Resulting Company. The obligation to make contributions to the said fund or funds shall be transferred to the Resulting Company from the Effective Date in accordance with the terms provided in the respective trust deeds, if any, to the end and intent that all rights, duties, powers and obligations of the Demerged Company (to the extent related to the Demerged Undertaking) in relation to such fund or funds shall become those of the Resulting Company and all the rights, duties and benefits of the employees employed in the Demerged Company (to the extent related to the Demerged Undertaking) under such funds and trusts shall be protected, subject to the provisions of law for the time being in force.

21.3 Upon the Scheme coming into effect, until such time that the Resulting Company creates its own funds, the Resulting Company may continue to make contributions pertaining to the employees of the Demerged Undertaking to the relevant funds of the Demerged Company and such contributions pertaining to the employees of the Demerged Undertaking shall be transferred by the Demerged Company to the funds of the Resulting Company as and when created. The Demerged Company shall take all steps necessary for the transfer of the Provident Fund, Gratuity Fund and any other fund of employees, pursuant to the Scheme, to the Resulting Company.

22. REMAINING BUSINESS

22.1 The Remaining Business and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Demerged Company.

22.2 Any legal or other proceedings by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted in future whether or not in respect of any matter arising before the Effective Date and relating to the Remaining Business (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining Business) shall be continued and enforced by or against the Demerged Company, which shall keep the Resulting Company fully indemnified in that regard. The Resulting Company shall in no event be responsible or liable in relation to any such legal or other proceeding against the Demerged Company.

22.3 The Demerged Company shall always be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining / Automotive related business for its own account and on its own behalf and all profits accruing to the Demerged Company thereon or losses arising or incurred by it relating to the Remaining / Automotive related business shall, for all purposes, be treated as the profits, taxes or losses, as the case may be, of the Demerged Company.

23. ISSUE OF SHARES OF THE RESULTING COMPANY TO THE SHAREHOLDERS OF THE DEMERGED COMPANY

Upon this Scheme coming into effect and in consideration for the Demerger the Resulting Company shall without any further act, instrument or deed and without any payment issue and allot shares of the Resulting Company, in the manner and to the extent specified in the Scheme.

23.1 The capital clause of the Memorandum of Association and Articles of Association of the Resulting Company shall without any further act or deed, be replaced by the following clauses:

Memorandum of Association:

V. The authorized share capital of the Company is Rs.12,00,00,000 (Rupees Twelve Crores only) divided into 2,00,00,000 (Two Crore) equity shares of Rs.5/- each, aggregating to

Rs.10,00,00,000 (Ten Crores) and 40,00,000 8% Non-cumulative Redeemable Preference Shares of Rs.5/- each (Forty lakhs) aggregating to Rs.2,00,00,000 (Two Crores).

The Company has the power, from time to time, to increase or reduce its capital and to issue any shares in the original or new capital as equity or preference shares, and to attach to any classes of such shares, any preference, rights, privileges or priorities in payment of dividends or distribution of assets or otherwise over any other shares or to subject the same to any restrictions, limitations or conditions and to vary the regulations of the Company as far as necessary to give effect to the same and upon the sub-division of any shares to apportion the right to participate in profits in any manner.

Articles of Association:

3. The authorized share capital of the Company is Rs.12,00,00,000 (Rupees Twelve Crores only) divided into 2,00,00,000 (Two Crore) equity shares of Rs.5/- each, aggregating to Rs.10,00,00,000 (Ten Crores) and 40,00,000 8% Non-cumulative Redeemable Preference Shares of Rs.5/- each (Forty lakhs) aggregating to Rs.2,00,00,000 (Two Crores).

23.2 It is clarified that the Resulting Company, for the purpose of amendment in the Authorized Share Capital and corresponding amendment in the Memorandum of Association and Articles of Association, shall not be required to pass a separate Resolution under Section 16, Section 31 or any other provisions of the Act, and on the members of Resulting Company approving the Scheme, it shall be deemed that the shareholders of Resulting Company have given their consent for the amendment to the Authorized Share Capital and consequent amendment in Memorandum of Association and Articles of Association of the Resulting Company, as required under Section 16, Section 31 and other applicable provisions of the Act.

After the Hon'ble High Court sanctions the Scheme but before the Effective Date, the Resulting Company shall make payment to the Registrar of Companies, Chennai of the additional fees, as may be required, on the increase of Rs 11,75,00,000/- (Rupees Eleven Crore Seventy Five Lakhs only) in the Authorised Share Capital of the Resulting Company under the Scheme.

23.3 The issue and allotment of shares of the Resulting Company to the shareholders of the Demerged Company shall be on proportionate basis. The shareholders of the Demerged Company shall be entitled to receive the shares of the Resulting Company, whose name:

a) is recorded in the register of members of the Demerged Company as on the Record Date; or

b) appears as beneficial owners of the shares of the Demerged Company in the records maintained by the Depositories on the Record Date.

23.4 The Resulting Company shall issue 1 Share of Rs.5/- each in the capital of the Resulting Company for every 2 equity shares of Rs.5/- each fully paid up and held by members of the Demerged Company. The capital of the Resulting Company comprises of equity shares and 8% Non- Cumulative Redeemable Preference Shares (NRPS).

23.5 The Resulting Company shall issue 1 New Equity Share of Rs. 5/ - each credited as fully paid up of the Resulting Company at par to TVS Group entities and non- resident shareholders for every 2 equity shares of Rs. 5/- each held by them in the Demerged Company. Such TVS Group entities and non- resident shareholders shall not be entitled to exercise the option as per 23.6 below.

23.6 The Shares of the Resulting Company shall not be listed on any stock exchange. The Scheme therefore envisages a voluntary exit mechanism for the shareholders of the Resulting Company other than the TVS Group. The eligible shareholders of the Demerged Company shall, in respect of their entitlement to receive 1 Share of the Resulting Company for every 2 equity shares of the Demerged Company held by them pursuant to the foregoing provisions of the Scheme, have an option of receiving either:

a) 1 New Equity Share of Rs. 5/ - each credited as fully paid up of the Resulting Company at par for every 2 equity shares of Rs 5/- each held by them in the Demerged Company on the Record Date; or

b) 1 NRPS of Rs. 5/- each credited as fully paid up in the Resulting Company at a premium of Rs. 43/- per NRPS for every 2 equity shares of Rs 5/- each held by them in the Demerged Company on the Record Date.

23.7 Manner of exercise of option by the Eligible Shareholders:

a) In order to facilitate the Eligible Shareholders to exercise the option available, the Resulting Company shall send notices in writing to each such Eligible Shareholders;

b) Such notice will be dispatched by the Resulting Company within 7 days from the Record Date;

c) The Resulting Company and / or Demerged Company shall also publish the particulars of the said notice in all editions of any one English national daily with wide circulation and one regional language daily with wide circulation in Chennai, Tamil Nadu (where the Registered Office of the Demerged Company and Resulting Company are situated).

d) The Eligible Shareholders shall exercise the aforesaid option by intimating the Resulting Company in writing within a period of 30 days from the 3rd day of the date of dispatch of the notice.

e) The Eligible Shareholders shall be required to exercise the option to receive either equity shares or NRPS in the Resulting Company in its entirety and not in parts.

f) If any Eligible Shareholders does not receive any such notice, he may intimate the Resulting Company in writing his/her selection of the option to receive Shares of the Resulting Company giving the details of shareholding in the Demerged Company, i.e. folio number/DP-ID & Client-ID, total number of shares held and certificate number in case shares are held in physical form.

23.8 If the Eligible Shareholders do not exercise the option as aforesaid, within the time period specified, the Resulting Company shall issue and allot the Equity shares as per the entitlement to such Eligible Shareholders for their entire entitlement.

23.9 Terms of issue of NRPS :

a) Face Value: - Rs.5/- per NRPS

b) Paid up Value: Rs.5/- per NRPS

c) Premium on issue of NRPS: Rs.43/- per NRPS

d) Coupon: The NRPS shall, subject to the provisions of the Act and the Articles of Association of the Resulting Company, confer on the holders thereof a right to fixed preference dividend of 8% per annum on face value of the NRPS in priority to the equity shares of the Resulting Company subject to deduction of taxes at source, if applicable. If the Resulting Company has not declared any dividend on the NRPS for any financial year for any reasons, whatsoever, the Resulting Company shall declare such dividend on NRPS out of balance in its profit and loss account and pay such amount along with the redemption proceeds. On such payment of dividend, the obligation of the Resulting Company to pay dividend on the NRPS shall come to an end.

e) Voting rights: The shareholder of NRPS shall have right to vote at a general meeting of the Resulting Company in accordance with Section 87 of the Act.

f) Redemption of NRPS and manner: The NRPS are redeemable in cash on the expiry of 15 months from the date of allotment by the Resulting Company. The redemption of NRPS shall be out of (i) fresh issue of shares of the Resulting Company or (ii) out of profits of the Resulting Company available for distribution as dividend or (iii) both (i) and (ii).

g) Amount payable on redemption of NRPS: Each NRPS of Rs.5/- each, fully paid shall be redeemed at a premium of Rs.47.50 per NRPS.

h) Winding-up: In the event of winding up of the Resulting Company, the holders of NRPS shall have a right to receive repayment of the capital paid-up and arrears of dividend, whether declared or not, up to the commencement of winding up, in priority to any payment of capital on the equity shares of the Resulting Company but shall not have any further right to participate in the profits or assets of the Resulting Company.

i) To the extent of issue of NRPS to the eligible shareholders of the Resulting Company, the issued, subscribed and paid up capital of the Resulting Company shall, without any further act, deed or approval stand varied under the provisions of Section 391 read with Section 394, Section 106 and other applicable provisions of the Act.

23.10 In case, any Shareholder's holding in Demerged Company is such that the Shareholder becomes entitled to a fraction of Equity Shares or NRPS, as the case may be, in the Resulting Company, the Resulting Company shall not issue fractional share certificates to such member, but shall consolidate such fractions and issue consolidated Equity Shares or NRPS, as the case may be, to a trustee nominated by the Resulting Company in that behalf, who shall sell such shares at the value per share provided in the Scheme within a reasonable time frame after the allotment and distribute the net sale proceeds (after deduction of tax, if applicable) to the such of the Shareholders in proportion to their fractional entitlements.

23.11 The New Equity Shares or NRPS, as the case may be, issued to the Shareholders of the Demerged Company by the Resulting Company shall be issued in dematerialized form by the Resulting Company unless otherwise notified in writing by the Shareholders of the Demerged Company to the Resulting Company, on or before such date, as may be determined by the Board of the Resulting Company. In the event, that such notice has not been timely received by the Resulting Company in respect of any of the Shareholders of the Demerged Company, the New Equity Shares or NRPS shall be issued to such Shareholders in dematerialized form provided that the Shareholders of the Demerged Company shall be required to have an account with a depository participant and shall provide the, Resulting Company, details thereof and such other confirmations, as may be required. It is only thereupon that the Resulting Company shall issue and directly credit the dematerialized securities to the account of such Shareholders with the New Equity Shares or NRPS, as the case may be, of the Resulting Company. In the event, that the Resulting Company have received notice from any Shareholders that New Equity Shares or NRPS, as the case may be, are to be issued in certificate form or if no requisite details relating to the account with a depository participant or other confirmations, as may be required are received by the Resulting Company, then the Resulting Company shall issue New Equity Shares or NRPS in certificate form to such member.

23.12 Each New Equity Share or NRPS, as the case may be, to be issued by the Resulting Company, in respect of any equity share of the Demerged Company, which if any, is held in abeyance, shall also be kept in abeyance.

23.13 In the event of there being any pending share transfers, whether lodged or outstanding, of any equity shares of the Demerged Company, the Board or Committee of the Demerged Company, shall be empowered in appropriate cases, prior to or subsequent to the Record Date, to effectuate such a transfer in the Demerged Company, as if such changes in the registered holder were operative as on the Record Date. In order to remove any difficulties arising to the transferor of the New Equity Shares or NRPS, as the case may be, of the Resulting Company and in relation to the New Equity Shares or NRPS, as the case may be, issued by the Resulting Company, after the effectiveness of this Scheme, the Board or Committee of the Demerged Company shall be empowered to remove such difficulties, as may arise in the course of implementation of this Scheme and registration of new shareholders in the Resulting Company on account of difficulties faced in its implementation.

23.14 The Resulting Company's New Equity Shares or NRPS to be issued and allotted to the shareholders of the Demerged Company pursuant to the Scheme, subject to the provisions of the Scheme be also further subject to the Memorandum and Articles of Association of the Resulting Company, as amended from time to time in the manner provided for in the Act.

23.15 It is clarified that the Resulting Company, for the purpose of issuing the aforesaid shares to the shareholders of the Demerged Company, shall not be required to pass a separate Special Resolution under Section 81(1A) of the Act or any other provisions of the Act, and on the members of the Resulting Company, giving their consent to the Scheme, it shall be deemed that the shareholders of the Resulting Company have given their consent to issue aforesaid shares to the shareholders of the Demerged Company as required under Section 81(1A) of the Act.

24. ACCOUNTING TREATMENT IN BOOKS OF DEMERGED COMPANY ON DEMERGER

24.1 Upon the coming into effect of this Scheme, with effect from the Appointed Date, the accounts representing the Assets and Liabilities of the "Non automotive related business" shall stand closed and transferred to the Resulting Company at respective Book Values.

24.2 The difference between the book value of the Assets, over the book value of Liabilities of the "Non automotive related business", so transferred to the Resulting Company and the reduction of Rs.948.38 lacs in equity share capital of the Demerged Company pursuant to Clause 27 of the Scheme, shall be adjusted in the following reserves of the Demerged Company to the extent provided as under:

a) Statutory Reserves Rs.2844.98 lacs being no longer required;

b) Capital reserves Rs.2507.57 lacs.

24.3 The Balance in capital reserve shall be further adjusted and reduced by the following:

i. balance in Miscellaneous Expenditure not written off or adjusted of Rs. 70.88 lacs;

ii. write off of investment in equity shares of the Resulting Company of Rs. 5 lacs, consequent to reduction of capital of the Resulting Company;

iii. Amalgamation Adjustment Account of Rs.2844.98 lacs.

24.4 The balance in capital reserve of the Demerged Company, after giving effect to the foregoing adjustment, shall be treated as general reserve of the Demerged Company as available for distribution to shareholders, in any manner, including dividend, capitalization by way of bonus shares or buyback or otherwise, as the Board of the Demerged Company, may deem fit in its absolute discretion.

25. ACCOUNTING TREATMENT IN BOOKS OF RESULTING COMPANY ON DEMERGER:

25.1 The Resulting Company shall, upon the Scheme becoming operative, record the transfer of Assets and Liabilities of the "Non automotive related business" pursuant to this Scheme, at their book values.

25.2 The Resulting Company shall credit its Share Capital Account with the aggregate face value of the Resulting Company's Equity Shares and NRPS, as the case, may be issued by it to the shareholders of Demerged Company, pursuant to this Scheme.

25.3 The excess of assets of the "Non automotive related business" as on the Appointed Date over (i) the liabilities of the "Non automotive related business" as on the Appointed Date and (ii) paid up value of the Equity Shares and NRPS, as the case may be issued to the shareholders of Demerged Company and amounts credited to securities premium account in respect of NRPS issued under the Scheme for an amount calculated at Rs. 47.50 per NRPS shall be dealt with by the Resulting Company as under:

a. The Resulting Company shall transfer to its Profit and loss account amount not less than an amount calculated at Re. 0.50 (Paise fifty only) per NRPS issued. It is expressly provided that such amount in Profit and loss account shall in the first instance be utilized by the Resulting Company to declare and pay dividend on NRPS on or simultaneous with redemption of NRPS under the Scheme.

b. Balance, if any shall be transferred to General Reserve of the Resulting Company.

On cancellation of the equity capital of the Resulting Company of Rs. 5 lacs held by the Demerged Company, there shall be no payment to be made to the Demerged Company and the amount paid up on such shares of Rs. 5 lacs shall be transferred to the General Reserve of the Resulting Company.

25.4 It is expressly provided that such balance in General Reserve shall be available for distribution to shareholders of the Resulting Company in any manner including dividend, capitalization by way of bonus shares or buyback or redemption of preference shares or otherwise as the Board of the Resulting Company may deem fit in its absolute discretion. All such amounts standing to the credit of General Reserve shall constitute the Resulting Company's free

reserves available for distribution as if the same were created by the Resulting Company out of its own earned and distributable profits and accordingly, shall be treated as part of the net worth of the Resulting Company.

26. ALTERATION OF THE MEMORANDUM OF ASSOCIATION OF THE RESULTING COMPANY

26.1 Upon coming into effect of the Scheme, the existing sub-clause (c) of Clause (III) of the Memorandum of Association of the Resulting Company shall, without any further act, deed or instrument, be altered by addition thereto of the following new clauses 23 and 24 after the existing clause 22:

Clause 23

To carry on in India or in any part of the world, all kinds of business relating to the manufacturing, producing, assembling, fitting up, repairing, converting, overhauling, maintaining, rendering services of all and every kind of description, buying, selling, exchanging, altering, hiring, letting on hire, leasing, improving, repairing, importing and exporting and dealing in all kinds of electronic devices including :

(a) Computers of all kinds and descriptions, computer components, computer peripherals, micro processors, PCBs, relays, Winchester drives, tape drives, key boards and switches, modems and multiplexer.

(b) Switch mode power supply equipment and uninterrupted power supply equipment of all kinds, electric, electronic, mechanical, hydraulic and/or combination of any of these operations.

(c) All kinds of electronic communication, space and satellite communication apparatus and equipment and railway signaling and safety equipment and solid state relays.

(d) All kinds of electro-magnetic wave equipment for radio-telegraphic or radio telephonic communications between fixed points or between fixed and mobile points or between mobile points such as transmitters, receivers, trans-receivers, oscillators, amplifiers along with their ancillary equipment or supervisory control and regulation including micro-processor based equipment.

(e) All kinds of instrumentation, micro-processor based and/or otherwise, for testing, observing maintaining electronic equipment and for recording, controlling and operating and other factors pertaining to electronic equipment and apparatus including the ancillary equipment required for installation, operation and maintenance of electronic apparatus and equipment such as masts, towers, earth systems, aerials and aerial equipment of all kinds including all types of radio equipment.

(f) All kinds of electronic and other equipment, including all types of control mechanism, automatic calculators, x-ray machines, analysers, surgical, medical and other appliances intended for electro and other therapy treatment, along with their ancillary equipment for supervisory control and regulation together with instrumentation for testing, observing, maintaining such equipment and such other equipment for recording, controlling, operating the said equipment and apparatus, either micro-processor based or otherwise.

(g) Telecommunication - both the land line and wireless communications - HF and VHF radio communication from low, low and high power transmitters for broadcasting television and communication, surface to air and air to air communication, local area communication, carbs and software, microwave associated equipment, transmission equipment, radio, navigation, telephone, telephone electronic switching systems and associated items, facsimile and associated equipment, meteorological, television, transmitters, receivers, studio equipment, electronic computers, electronic desk and other electronic calculators, nuclear electronic equipment, automatic electronics, industrial and process instruments and equipment, either micro-processor based or otherwise.

(h) All kinds of micro-processor based control systems and equipment for use in machine tools, laboratory and testing equipment, analysers and office automation equipment :

(i) All kinds of software packages to be used in all kinds of electronic computers, micro-processors and the like, either listed above or not;

(ii) To carry on the business of manufacture and selling of electronic components of all descriptions and types including micro-processor based items, DC motor controls, micro-processor based and thyristers based controls, inverters, resistors, condensers, coils, chokes, transformers, switches, volume controls, plugs, sockets, hoses, aerial gear, batteries, accumulators, cable, metal and other cases, peizo-electroquartz, crystals of all types and those made from synthetic materials, meters of all kinds including those for domestic use, holders and covers; and

(iii) To manufacture, sell or otherwise deal with all materials or components as are akin to the above mentioned products.

Clause 24

(i) To carry on all or any of the business of manufacturers and producers, merchants, importers and exporters, buyers, sellers, exchangers, dealers, stockists, suppliers, distributors, wholesale and retail dealers, repairers of and servicemen of parts, components, sub-assemblies, assemblies, sub-systems and systems including but not limited to all kinds of compressors, accessories, devices, auxiliary equipment, switches, controls, timers, regulators programmable or otherwise, plugs, cables, hoses, pipes, chokes, solenoid brakes, water inlet valves, relays overloads, motors including specialized pump assembly with motors and specialized reversible motors, refrigerator compressors and other components and related hardware, micro processor controlled or otherwise, for use independently or for use in all commercial, industrial and domestic appliances, such as laundering machines, dryers, washers, cleaners, cooking systems, including ranges, ovens of all types, vacuum cleaners, refrigerators, freezers, bottle coolers, water coolers, vending machines, heat exchangers, grinders, mixers, cooking and cleaning aids, room air conditioners, room coolers, dehumidifiers operated manually or by means of any kind of power such as air, steam, gas, electricity, fuel and oil such as air, kerosene or other kinds of oils and solar energy or other forms of energy.

(ii) To carry on in India or in any part of the world, all kinds of business relating to the manufacturing, producing, assembling, repairing, exporting, importing, purchasing, selling, hiring and dealing in and generally to carry on business in the manufacture, sale and supply of complete range of appliances referred to in paragraph (i) above.

(iii) To carry on the business of electrical contractors, chemical and heat treatment engineers, metal workers, welding engineers, iron and steel makers, press manufacturers, press shop platers, welders, refrigerators and air conditioning and environmental control engineers and to buy, sell, exchange manufacture, repel, convert, repair, alter, install, let on hire and deal in machinery, implements, instruments, gauges, generators, motor, fans and other appliances of all kinds.

(iv) To manufacture, sell or otherwise deal with all materials or components as are allied or akin to the above mentioned products.

(v) To carry on the business of manufacture of chemicals, films, plastics, adhesives, precipitates or any articles or things that may be required for any of the above purposes.

26.2 It is clarified that the approval of the members of the Resulting Company to the Scheme shall be deemed to have given their consent/ approval also to the alteration of the objects of the Memorandum of Association of Resulting Company as aforesaid, as required under Section 17 and other applicable provisions of the Act.

26.3 It is further clarified that it shall also be deemed that the members of Resulting Company have also resolved and accorded all relevant consents under Section 149 of the Act or any other provisions of the Act for the commencement of any business or activities of the Non automotive related business to the extent, as contained in Clauses 23 and 24 of the Memorandum of Association of Resulting Company to the extent the same may be considered applicable without Resulting Company requiring to follow the procedures separately under section 149(1) read with Section 149 (2A) of the Act, in order to carry on the activities currently being carried

on by the Demerged Company in relation to the Demerged Undertaking, upon the approval of the Scheme by the members of the Demerged Company and the members of Resulting Company pursuant to Section 391 of the Act.

PART - IV

REDUCTION AND RE-ORGANIZATION OF EQUITY SHARE CAPITAL OF DEMERGED COMPANY

27. After giving effect to Part II and III of this Scheme, the re-organization of Equity Share Capital of Demerged Company shall be effected as follows:

27.1 Upon this Scheme coming into effect, the Equity Share Capital of Demerged Company shall be reduced in the following manner:

The issued and paid up equity share capital of the Demerged Company shall be reduced by Rs.9,48,37,920 (Rupees nine crore forty eight lakhs thirty seven thousand and nine hundred and twenty only) as being no longer represented by available assets of the Demerged Company consequent to the Demerger of the Demerged Undertaking under Part III of this Scheme. The issued and paid up equity share capital of the Demerged Company, post reduction, shall comprise of 1,89,67,584 equity shares of Rs.5/- each.

27.2 The reduction of paid up equity capital as above, shall be effected as an integral part of the Scheme only and the Order of the Court sanctioning the Scheme, shall be deemed to be an Order under Section 102 of the Act confirming the reduction.
The Demerged Company shall not be required to add "and reduced" as a suffix to the name.

27.3 It is hereby clarified that, on approval of this Scheme by the shareholders of the respective companies, namely the Demerged Company and the Resulting Company, it shall be deemed that the shareholders of both the companies have also accorded all such consents required and all compliances in connection with the reorganization / reduction of share capital of the respective companies in terms of Sections 94 and 100 read with 101 of the Act since such consents/compliances are intertwined and form an integral part of this Scheme.

27.4 Upon this Scheme coming into effect, all the shareholders of the Demerged Company whose names appear on the Register of Members of the Demerged Company on Record Date, if so required by the Demerged Company, shall surrender their equity share certificates to the Demerged Company for cancellation. Alternatively, the share certificates in relation to the Equity Shares held by them in the Demerged Company shall, without any further application, act, instrument or deed, be deemed to have been automatically cancelled and cease to have any effect, on and from the Record Date.

27.5 Upon such cancellation of the capital and relevant share certificate, the Demerged Company shall issue and allot to its equity shareholders one equity share of Rs.5/- each credited as fully paid up for every two equity shares of Rs.5/- each held by them in the Demerged Company. In case, any member's holding in the Demerged Company is such that the member becomes entitled to a fraction of an Equity share in the Demerged Company, the Demerged Company shall not issue fractional share certificates to such member, but shall consolidate such fractions and issue consolidated Equity Shares to separate trustees nominated by the Demerged Company in that behalf, who shall sell such shares at prevailing market prices within a reasonable time frame after the allotment and distribute the net sale proceeds (after deduction of tax, if applicable) to the members in proportion to their fractional entitlements.

27.6 In case of shares held in dematerialized or electronic form, the shares shall stand deleted from the respective depository accounts of the shareholders and the new

shares shall be issued and credited in the electronic form by Demerged Company to the account of the shareholders of the Demerged Company.

27.7 Equity shares of the Demerged Company, issued in terms of this Clause - above, shall be listed and/or admitted to trading on the relevant Stock Exchanges, where the equity shares of the Demerged Company are already listed and/or admitted to trading as on the Effective Date.

27.8 Unless otherwise determined by the Boards and/ or Committees of the Demerged Company and the Resulting Company, issuance and allotment of equity shares in terms of Clause 27.4 shall be done within 60 days from the Effective date.

PART - V

NON-LISTING OF EQUITY SHARES OF THE RESULTING COMPANY AND EXIT OPPORTUNITY TO THE EQUITY SHAREHOLDERS OF THE RESULTING COMPANY

After giving effect to the foregoing parts of the Scheme:

28. The Equity Shares and NRPS of the Resulting Company having been allotted and issued in terms of Clause 23 of this Scheme to the equity shareholders of the Demerged Company shall not be listed on any Stock Exchange, while the equity shares of the Demerged Company (after reduction and reorganization as per the provisions of Part IV of the Scheme) shall continue to be listed on the stock exchanges and there shall be no change in respect thereof as a result of the Demerger.

29. The Scheme, therefore, also provides for reasonable and fair exit route for the Eligible Members of the Resulting Company for sale and disposal of their shares in the Resulting Company acquired pursuant to the Scheme. Therefore, the non-listing of shares of the Resulting Company will not adversely affect the rights of the shareholders of the Demerged Company regarding sale and disposal of the shares of the Resulting Company.

30. The exit options provided hereinafter in the Scheme are fair, just, equitable and reasonable.

31. After the Record date, the following further steps shall be taken by the Resulting Company for the implementation of this part of the Scheme as an integral and inseparable part of this Scheme:

32. EXIT OPTIONS

32.1 Option 1 - Allotment of NRPS:

The Scheme provides for an option for allotment of NRPS by the Resulting Company as detailed in Clause 23 of this Scheme.

32.2 Option 2 - Sale of Equity Shares:

32.2.1 The Eligible Members of the Resulting Company shall have an option to sell their Equity Shares (hereafter referred to as New Equity Shares) in the Resulting Company to the entity, namely Sundaram Engineering Products Services Limited (aforesaid entity), which will make payment to all such Eligible Members at the rate of Rs.48/- per fully paid up New Equity share of the Resulting Company of Rs.5/- each. The said option shall remain open for a period of three months from the Record Date. The Demerged Company shall ensure that the aforesaid entity shall make payment as provided above.

32.2.2 Since the New Equity Shares of the Resulting Company will not be listed and in order to give the Eligible Members who have not opted for NRPS an opportunity to exit at the price of the said shares on the basis of valuation done by M/s Deloitte Touche Tohmatsu India Private Limited, Mumbai, the Eligible Members will be sent a form from the aforesaid entity giving the said Eligible Members the option to sell the shares to which they are entitled to the aforesaid entity any time during the next three months after the Record Date at the rate of Rs.48/- per fully paid equity share of the Resulting Company.

32.2.3 On exercising an option to sell their New Equity Shares in the Resulting Company to the aforesaid entity, the Eligible Members will be sent the consideration by bankers cheque/demand draft forthwith from the aforesaid entity. The stamp duty for the transfer shall be borne by the aforesaid entity for the purpose, on a pro rata basis. The aforesaid entity shall be deemed to include their nominees or assigns who accept in totality the terms of the Scheme.

The aforesaid entity shall credit the entire amount payable to the Eligible members of the Resulting Company at the rate specified in Clause 32.2.1 hereinabove calculated with number of New Equity Shares held by the Eligible Members of the Resulting Company in an escrow account specifically opened and maintained by the aforesaid entity with a scheduled commercial bank at its cost for buying the New Equity Shares from the Eligible members, who exercise the option to sell such equity shares of not more than 37,93,517 New Equity Shares of face value of Rs.5/- each aggregating to Rs.18.21 Crores, which represents aggregate New Equity Shares entitlements of all Eligible Members in terms of Clause 23 of this Scheme at a value of Rs.48/- per share.

32.2.4 The aforesaid entity shall have the full authority, without any interference by the Resulting Company and the Demerged Company, to disburse the consideration to the Eligible Members, who approach the aforesaid entity. However, the Demerged Company shall co-ordinate with the aforesaid entity for verification of the entitlements and other title documents. Upon expiry of three months, the balance, if any, in the said Escrow Account in respect of such Eligible Members, who have not exercised the option to sell such New Equity Shares to the aforesaid entity, shall be transferred back to the bank account of the aforesaid entity. Thereafter, the claims regarding consideration of the Eligible Members from the Escrow account shall come to an end and the Eligible members shall have no recourse against the aforesaid entity.

32.3 Notwithstanding the foregoing provisions of this part of the Scheme, TVS group of the Demerged Company shall not be eligible to opt any of the options mentioned above. In other words, TVS group of the Demerged Company shall remain New Equity shareholders of the Resulting Company after the Scheme is effective and implemented.

32.4 The acquisition of New Equity Shares of the Resulting Company from the Eligible Members of the Resulting Company pursuant to the Part V of the Scheme by the aforesaid entity shall be pursuant to the provisions of the Scheme and sanction of the Scheme by the shareholders of the aforesaid entity shall be deemed to be the approval and consent, if any required by the Board of Directors of the aforesaid entity to acquire New Equity Shares of the Resulting Company under section 292, section 372A and other applicable provisions, if any of the Act and no separate procedures as specified under the Act shall be followed.

PART - VI

GENERAL TERMS AND CONDITIONS

33. APPLICATION TO HIGH COURT

The Demerged Company and the Transferor Company and the Resulting Company shall with all reasonable dispatch make applications under Sections 391 to 394 read with Section 100 and 104 of the Act and other applicable provisions of the Act to the Hon'ble High Court of Judicature at Madras for sanctioning the Scheme.

34. MODIFICATION OR AMENDMENTS TO THE SCHEME

The Demerged Company and the Transferor Company and the Resulting Company by their respective Board of Directors or any Committee constituted by their respective Boards, may assent to any modification / amendment to the Scheme or to any condition or limitation that the Hon'ble High Court may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them. The Demerged Company and the Transferor Company and the Resulting

Company shall authorize their respective Board of Directors or any Committee constituted by them to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or order of any other authority or otherwise howsoever arising out of or by virtue of the Scheme or implementation thereof and / or any matter concerned or connected therewith.

35. CONDITIONALITY OF THE SCHEME

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

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

(ii) the approval by the requisite majorities of the equity shareholders of The Demerged Company and the Transferor Company and the Resulting Company, as directed by the Hon'ble High Court under Section 391 of the Act.

(iii) all other sanctions and orders as are legally necessary or required in respect of the Scheme being obtained.

(iv) The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes an integral whole. The Scheme would be given effect to only if it is approved in its entirety unless specifically agreed otherwise by the Demerged Company and the Transferor Company and the Resulting Company and by their respective Board of Directors or any Committee constituted by them.

(v) The Board of the Demerged Company and the Transferor Company and the Resulting Company or any Committee by them, may give such directions, as they may consider necessary to settle any question or difficulty arising under this Scheme or in regard to the meaning or interpretation of this Scheme or implementation thereof or on any matter whatsoever connected therewith (including any question or difficulty arising in connection with any deceased or insolvent shareholders or depositors of the respective companies) or to review the position relating to the satisfaction of various conditions to this Scheme and, if necessary, to waive any of those (to the extent permissible under law) by mutual written consent.

(vi) Certified copies of the order(s) of the Hon'ble High Court of Madras, referred to in sub-clause (iii) above, in respect of the Demerged Company and the Transferor Company and the Resulting Company filed with the Registrar of Companies, Tamilnadu, Chennai.

36. EFFECT OF NON-RECEIPT OF APPROVALS

In case the Scheme is not sanctioned by the Hon'ble High Court of Judicature at Madras, or in the event any of consents, approvals, permissions, resolutions, agreements, sanctions or conditions enumerated in the Scheme not being obtained or complied with or for any other reason, the Scheme cannot be implemented, the Scheme shall become null and void. The Demerged Company and the Transferor Company and the Resulting Company shall bear the entire cost, charges and expenses in connection with the Scheme equally unless otherwise mutually agreed.

37. COST, CHARGES AND EXPENSES

All costs, charges, taxes including duties, levies and all other expenses, if any arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne by the Demerged Company and the Transferor Company and the Resulting Company respectively, except the share transfer stamp duty, which shall be borne by the aforesaid entity, as per Part V of the Scheme.

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BALANCE SHEET OF DEMERGED UNDERTAKING AS ON APPOINTED DATE

Rs. in lakhs

Share capital	948.38
Reserves & surplus	3,550.10
Total liabilities	**4,498.48**
Investments	4,459.37
Net current assets	39.11
Total assets	**4,498.48**

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

COMPANY APPLICATION NO.334 OF 2012

IN THE MATTER OF COMPANIES ACT, 1956 (1 OF 1956),

AND

IN THE MATTER OF SECTIONS 391-394 OF THE COMPANIES ACT 1956,

AND

IN THE MATTER OF SUNDARAM-CLAYTON LIMITED, AN EXISTING COMPANY UNDER THE COMPANIES ACT, 1956, HAVING ITS REGISTERED OFFICE AT NO.29 HADDOWS ROAD, CHENNAI 600 006, TAMIL NADU,

AND

IN THE MATTER OF COMPOSITE SCHEME OF ARRANGEMENT INCLUDING AMALGAMATION AND DEMERGER AMONG

SUNDARAM-CLAYTON LIMITED AND ANUSHA INVESTMENTS LIMITED AND SUNDARAM INVESTMENT LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

UNDER SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956

SUNDARAM-CLAYTON LIMITED
Represented by its Chairman and Managing Director
Mr Venu Srinivasan
No. 29 Haddows Road
Chennai 600 006 .....APPLICANT COMPANY / DEMERGED COMPANY

FORM OF PROXY

I, the undersigned, as equity shareholder of the Applicant Company, hereby appoint .....of ..... and failing him / her,....., of:..... as my proxy, to act for me / us at the meeting of the equity shareholders of the Applicant / Demerged Company to be held at 'The Music Academy", New No. 168, T T K Road, Chennai - 600 014 on Friday, the 18th day of May, 2012 at 10.00 a.m. or for any adjournment or adjournments thereof, for the purpose of considering and, if thought fit, approving, with or without modification/s the Composite Scheme of Arrangement including amalgamation and demerger among Sundaram-Clayton Limited and Anusha Investments Limited and Sundaram Investment Limited and their respective shareholders under sections 391 to 394 of the Companies Act, 1956 and at such meeting and any adjournment thereof, to vote, for me and in my name ..... (here, 'if for', insert 'for', 'if against', insert 'against' and in the latter case, strike out the words below after 'the said Scheme') the said Scheme, either with or without modification as my proxy may approve. (Strike out what is not necessary).

DATED THIS ..... DAY OF....., 2012

Signature:

Address:

Folio No:

Affix 30 p. revenue stamp here

Notes:
1. Proxy to be deposited at the Registered Office of the Company, not later than FORTY-EIGHT hours before the meeting. The proxy need not be a member of the Demerged Company.
2. In case of multiple proxies, proxy later in time shall be accepted.
3. Any alteration made in this Form of proxy should be initialed.

SUNDARAM-CLAYTON LIMITED

Regd. Office No.29 (8), Haddows Road, Chennai 600 006

ATTENDANCE SLIP

I/We hereby record my/our presence at the Court Convened Meeting of the Shareholders of the Company at "Music Academy", New No.168, (Old No.306), T.T.K. Road, Chennai 600 014 at 10.00 A.M. on Friday, the 18th day of May 2012.

NAME(S) OF THE SHAREHOLDERS / PROXY	
FOLIO NO.	
DP. ID. NO. / CLIENT ID NO.	
NO. OF SHARES HELD	
SIGNATURE OF THE SHAREHOLDER(S) / PROXY	

Note : Shareholder / Proxyholder, as the case may be is required to sign and handover this slip at the entrance of the meeting venue.