SUNDARAM-CLAYTON LIMITED
CHENNAI

"SALIENT FEATURES OF COMPOSITE SCHEME OF ARRANGEMENT INCLUDING AMALGAMATION AND DEMERGER" IN TERMS OF 391-394 OF THE COMPANIES ACT, 1956" (THE SCHEME)

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1. Sundaram-Clayton Limited (SCL) is a public limited company incorporated under the provisions of the Companies Act, 1956 and having its registered office at "Jayalakshmi Estates", No.29, Haddows Road, Chennai - 600 006. Its equity shares are listed on Madras Stock Exchange Limited, Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Anusha Investments Limited (AIL) is an unlisted public limited company incorporated under the provisions of the Companies Act, 1956 and having its registered office at No.29, Haddows Road, Chennai - 600 006 and is a wholly owned subsidiary of SCL. AIL was incorporated with, inter alia, the main object of carrying on investment activities.

Sundaram Investment Limited (SIL) is an unlisted public limited company incorporated under the provisions of the Companies Act, 1956 and having its registered office at No.29, Haddows Road, Chennai - 600 006 and is a wholly owned subsidiary of SCL. SIL was incorporated with, inter alia, the main object of carrying on investment and trading activities.

2. 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) 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 SCL (hereinafter referred to "Demerged Company", as the case may be) into SIL ("hereinafter referred to as "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.

For Sundaram-Clayton Limited

R Raja Prakash
Secretary

3. The board of directors of the Company have considered and approved the proposed Scheme, subject to such statutory and other regulatory approvals that may be required, with a view to -

- recognize the importance of idea of core competence in the structuring and development of the Demerged and Resulting Companies, to achieve the business purposes permitting greater management focus on the respective core businesses;
- 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;
- to 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 AIL with SCL, 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. The Hon'ble High Court of Madras vide its order dated 3rd August 2012 approved the Scheme and the effective date was fixed as 21st August 2012, i.e. the date on which the court order was filed with the Registrar of Companies.

5. On the effective date, all assets and liabilities together with all rights, privileges, liberties, advances, benefits and all obligations of the wholly owned subsidiary of the Company, namely AIL stood transferred and vested in SCL, from the 'Appointed date' namely 7th July 2011 and consequently the entire investment held by SCL in AIL got cancelled and extinguished without any further act or deed by SCL.

6. In terms of the said Scheme all assets and liabilities together with all rights, privileges, liberties, advances, benefits and all obligations in relation to the non-automotive related business of the Company stood transferred and vested in SIL, from the 'Appointed date' namely 7th July 2011 and consequently the entire investment held by SCL in SIL got cancelled and extinguished without any further act or deed by SCL.

7. The entire investment in the wholly owned subsidiary, namely TVS Investments Limited (TVSI), whose subsidiaries are engaged in the businesses of electronics hardware manufacture, computer software

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services, financial services and asset management company and which constituted the dominant part of the 'Non-automotive related business' stood transferred and vested in SIL and consequent reduction in the paid up capital and reserves of SCL, as explained the Scheme.

8. ISSUE AND ALLOTMENT OF SHARES

Allotment of Shares to shareholders of SCL upon Demerger

In terms of the Scheme, the Board of directors of SCL has fixed 10th September 2012, as the Record Date to determine the equity shareholders of SCL entitled to receive the equity shares of SCL and SIL for every 2 equity shares of Rs 5/- each held by the shareholders in SCL as on the Record Date, in the following manner:

(a) One new equity share of Rs 5/- each credited as fully paid up in the share capital of SCL; **and**

(b) One new equity share of Rs. 5/ - each credited as fully paid up in the share capital of SIL;

OR

One 8% Non-Cumulative Redeemable Preference Share (NRPS) of Rs. 5/- each credited as fully paid up in SIL, at a premium of Rs. 43/- per NRPS

Accordingly, as an integral part of the Scheme sanctioned by the Hon'ble High Court, 1,00,000 equity shares of Rs.5/- each of SIL held by SCL and its nominees shall stand extinguished and the issued and subscribed share capital of SIL shall thus stand reduced accordingly.

The board of directors of SCL will issue and allot to the equity shareholders of SCL one equity share of Rs. 5/- each credited as fully paid up in the capital of SCL for every two equity share of Rs.5/- each held by them in the SCL as on the Record Date.

Shareholders of SCL holding shares in dematerialized form will be issued equity shares or NRPS of SIL by credit in their demat account. Those shareholders holding equity shares in physical form shall be issued share certificates of equity shares or NRPS of SIL in physical / dematerialised form, at their option.

The Scheme involves reorganization / reduction of equity share capital of SCL and consequently, there will be a change in the International Securities Identification Number (ISIN) of SCL.

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Reduction of capital of SCL

In terms of the Scheme, the issued and paid up equity capital of SCL will be reduced by Rs.9,48,37,920/-, as being no longer represented by the assets of SCL consequent to the demerger of non-automotive business (the demerged undertaking as referred to in the Scheme). The issued and paid up equity share capital of SCL, post reduction, will comprise of 1,89,67,584 equity shares of Rs.5/- each.

In terms of the Scheme, all the shareholders of SCL whose names appear on the Register of Members of SCL on Record Date, if so required by SCL, will have to surrender their equity share certificates to SCL for cancellation. Alternatively, the share certificates in relation to the equity shares held by them in SCL 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.

Further, it is notified that the equity shares in depository accounts of the shareholders of SCL as on the record date will be extinguished on and from the Record Date, consequent to the issue and allotment of equity shares as aforesaid.

Exercise of option for receiving the shares of SIL

In terms of the Scheme, the shares of SIL will not be listed in the Stock Exchanges, hence the shareholders of SCL are entitled to exercise the option to receive equity shares of Rs.5/- each or NRPS of Rs.5/- each to be issued at a premium of Rs.43/- per share and liable to be redeemed after 15 months from the date of allotment in SIL as per the terms of issue.

Similarly, an exit option to sell the equity shares of SIL at a value of Rs.48/- has also been provided as per the Scheme. The said option shall remain open for a period of three months from the Record date.

A detailed notice is being circulated to each shareholder outlining the procedures for exercising the options in SIL separately.

Fractional entitlement

Both SCL and SIL will not issue fractional share certificates to such members who become entitled to fraction of shares but will consolidate such fractions and issue the same to Trustees, nominated in this behalf, who will sell such shares at the value 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 such members of the respective companies.

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