

## SCHEME OF ARRANGEMENT

BETWEEN

AVALON COSMETICS PRIVATE LIMITED ('THE DEMERGED COMPANY' OR 'ACPL')

AND

HINDUSTAN FOODS LIMITED ('THE RESULTING COMPANY' OR 'HFL')

AND

THEIR RESPECTIVE SHAREHOLDERS

A) Preamble

1. This Scheme of Arrangement ('Scheme') is presented under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013, rules and regulations thereunder, for Demerger of Contract Manufacturing (Hyderabad) Business ('the Demerged Undertaking') of Avalon Cosmetics Private Limited (the 'Demerged Company' or 'ACPL') into Hindustan Foods Limited (the 'Resulting Company' or 'HFL').
2. This Scheme also provides for various other matters consequential or otherwise integrally connected herewith.

B) Rationale for the Scheme

HFL is engaged in the FMCG segment for manufacture of high quality cereal based food products and a range of instant mixes, baby foods, instant porridges, breakfast cereals and health drinks. It further manufactures leather products and accessories. The Contract Manufacturing (Hyderabad) Undertaking of ACPL is engaged in manufacturing of fabric cleaning product including detergent powders on contract basis. In order to enable greater focus on this segment, this Scheme provides for the demerger of the Contract Manufacturing (Hyderabad) Business of ACPL into HFL.

Amongst others, the demerger of Contract Manufacturing (Hyderabad) Business of ACPL into HFL would result in the following benefits:-

- Concentrated management focus on the businesses in a more professional manner and to create a more competitive business both in scale and operations. The Resulting Company would develop combined long-term corporate strategies and financial policies, thus enabling better management and accelerated growth of the business.
- Operational rationalization, organizational efficiency and optimal utilization of various resources due to pooling of management, administrative and technical skills of various resources of both the companies, better administration, and cost reduction, including reduction in managerial, administrative and other common costs;
- Providing better flexibility in accessing capital, focused strategy and specialization for sustained growth; and
- Creation of value for various stakeholders and shareholders;





### C) Parts of the Scheme

The Scheme is divided into following parts:

- a) **Part A** deals with the Definitions and Share Capital;
- b) **Part B** deals with demerger of Contract Manufacturing (Hyderabad) Business of Avalon Cosmetics Private Limited ('the Demerged Company') into Hindustan Foods Limited (the 'Resulting Company' or 'HFL');
- c) **Part C** deals with the Other Terms and Conditions.

#### **PART A: DEFINITIONS AND SHARE CAPITAL**

1. In this scheme unless repugnant to the meaning or context thereof, the following expressions shall have the following meanings:

1.1. "**Act**" or "**the Act**" means the Companies Act, 2013 and Rules framed thereunder as in force from time to time;

1.2. "**Appointed Date**" means 1<sup>st</sup> April, 2018 or such other date as the Board of Directors of the Demerged Company or the Resulting Company or the NCLT or any other competent authority may approve for the purposes of demerger of Contract Manufacturing (Hyderabad) Business of Avalon Cosmetics Private Limited into Hindustan Foods Limited;

1.3. "**Board of Directors**" means the Board of Directors of Avalon Cosmetics Private Limited or Hindustan Foods Limited, as the case may be, and unless repugnant to the subject, context or meaning thereof, shall be deemed to include every committee (including any committee of directors) or any person authorized by the board of directors or by any such committee.;

1.4. "**Contract Manufacturing (Hyderabad) Business**" or the "**Demerged Undertaking**" shall mean undertaking, business, activities and operations pertaining to Hyderabad unit of ACPL and related business, and comprising of all the assets (moveable, incorporeal and immoveable) and liabilities which relate thereto, or are necessary therefore and including specifically the following:

(a) All assets, title, properties, interests, investments, loans, advances (including accrued interest) and rights, including rights arising under contracts, wherever located (including in the possession of vendors, third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, exclusively used or held, by the Demerged Company in, or otherwise identified for use in business, activities and operations pertaining to its Contract Manufacturing (Hyderabad) Business, including but not limited to all land, factory building, equipments, plant and machinery, offices, capital work in progress, furniture, fixtures, office equipment, appliances, accessories, receivables, vehicles, deposits, all stocks, assets, cash, balances with banks, investments, all customer contracts, contingent rights or benefits, etc, pertaining to its Contract Manufacturing (Hyderabad) Business (collectively, the "Contract Manufacturing (Hyderabad) Assets")

(b) All debts, liabilities, guarantees, assurances, commitments and obligations of any nature or description, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising, (including, without limitation, whether





arising out of any contract or tort based on negligence or strict liability), or pertaining to the Contract Manufacturing (Hyderabad) Business activities (collectively, "Contract Manufacturing (Hyderabad) Liabilities")

- (c) All contracts, agreements, licenses, leases, linkages, memoranda of undertakings, memoranda of agreement, memoranda of agreed points, letters of agreed points, arrangements, undertakings, whether written or otherwise, deeds, bonds, schemes, arrangements, sales orders, purchase orders or other instruments of whatsoever nature to which the Demerged Company is a party, exclusively relating to the undertaking, business, activities and operations pertaining to its Contract Manufacturing (Hyderabad) Business or otherwise identified to be for the benefit of the same, including but not limited to the relevant licenses, water supply/ environment approvals, and all other rights and approvals, electricity permits, telephone connections, building and parking rights, pending applications for consents or extension, all incentives, tax benefits, deferrals, subsidies, concessions, benefits, grants, rights, claims, liberties, special status and privileges enjoyed or conferred upon or held or availed of by the Demerged Company in relation to its Contract Manufacturing (Hyderabad) Business, permits, quotas, consents, registrations, lease, tenancy rights in relation to offices and residential properties, permissions, incentives, if any, in relation to its Contract Manufacturing (Hyderabad) Business, and all other rights, title, interests, privileges and benefits of every kind in relation to its Contract Manufacturing (Hyderabad) Business (collectively, "Contract Manufacturing (Hyderabad) Contracts");
- (d) All registrations, trademarks, trade names, service marks, copyrights, patents, designs, domain names, applications for trademarks, trade names, service marks, copyrights, designs and domain names exclusively used by or held for use by the Demerged Company in the Contract Manufacturing (Hyderabad) Business, (collectively, "Contract Manufacturing (Hyderabad) IP")
- (e) all permits, licenses, consents, approvals, authorizations, quotas, rights, entitlements, allotments, concessions, exemptions, liberties, advantages, no-objection certificates, certifications, easements, tenancies, privileges and similar rights, and any waiver of the foregoing, issued by any legislative, executive, or judicial unit of any Governmental or semi-Governmental entity or any department, commission, board, agency, bureau, official or other regulatory, local, administrative or judicial authority exclusively used or held for use by the Demerged Company in the undertaking, business, activities and operations pertaining to the Contract Manufacturing (Hyderabad) Business (collectively, "Contract Manufacturing (Hyderabad) Licenses"); and
- (f) all such permanent employees of the Demerged Company, employees/personnel engaged on contract basis and contract labourers and interns/ trainees, both on-shore and off-shore, as are primarily engaged in or in relation to the Demerged Undertaking, business, activities and operations pertaining to the Contract Manufacturing (Hyderabad) Business, at its respective offices, branches etc, and any other employees/personnel and contract labourers and interns/trainees hired by the Demerged Company after the date hereof who are primarily engaged in or in relation to the Demerged Undertaking, business, activities and operations pertaining to the Contract Manufacturing (Hyderabad) Business (collectively, "**Contract Manufacturing (Hyderabad) Employees**");





- (g) all liabilities present and future (including contingent liabilities pertaining to or relating to the Contract Manufacturing (Hyderabad) Business of the Demerged Company), as may be determined by the Board of the Demerged Company;
- (h) all deposits and balances with Government, Semi-Government, local and other authorities and bodies, customers and other persons, earnest moneys and/ or security deposits paid or received by the Demerged Company, directly or indirectly in connection with or in relation to the Contract Manufacturing (Hyderabad) Business of the Demerged Company;
- (i) all books, records, files, papers, directly or indirectly relating to the Contract Manufacturing (Hyderabad) Business of the Demerged Company; but shall not include any portion of the Remaining Business of Avalon Cosmetics Private Limited; and
- (j) Any other asset / liability which is deemed to be pertaining to the Contract Manufacturing (Hyderabad) Business by the Board of the Demerged Company

Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Contract Manufacturing (Hyderabad) Business or whether it arises out of the activities or operations of the Contract Manufacturing (Hyderabad) Business shall be decided by mutual agreement between the Board of Directors of the Demerged Company and the Resulting Company.

- 1.5. **"Demerged Company" or "ACPL"** means Avalon Cosmetics Private Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Unit No 03, level 02, Centrium, Phoenix Market City, Kurla, Mumbai – 400070,
- 1.6. **"Effective Date" or "coming into effect of this Scheme" or "upon the scheme becoming effective" or "effectiveness of the scheme"** means the date on which the certified copies of the orders of Tribunal NCLT sanctioning this Scheme of Arrangement, is received and filed by ACPL and HFL with the Registrar of Companies, Mumbai;
- 1.7. **"NCLT" or 'Tribunal'** means the National Company Law Tribunal as constituted and authorized as per the provisions of the Companies Act, 2013 for approving any scheme of arrangement, compromise or reconstruction of companies under Section 230 – 232 of the Companies Act, 2013 of the Companies Act, 2013;
- 1.8. **"Remaining Avalon Cosmetics Private Limited"** means Avalon Cosmetics Private Limited as it stands on the Appointed Date i.e. 1<sup>st</sup> April, 2018 subsequent to demerger of the Contract Manufacturing (Hyderabad) Business of Avalon Cosmetics Private Limited (as defined under Clause 1.4 of this Scheme of Arrangement)
- 1.9. **"Resulting Company or "HFL"** means Hindustan Foods Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Dempo House Campal, Panaji, Goa 403001. The Board has approved the shifting of registered office of HFL from aforementioned address to Office No. 03, Level 2, Centrium, Phoenix Market City, 15, Lal Bahadur Shastri Rd, Kurla, Mumbai, Maharashtra 400070, subject to requisite approvals from the shareholders and relevant regulatory authorities





1.10. **"Record Date"** means in respect of demerger of the Contract Manufacturing (Hyderabad) Business of the Demerged Company into the Resulting Company, the date to be fixed by the Board of Directors of the Resulting Company for the purposes of determining the shareholders of the Demerged Company to whom shares would be issued in accordance with Clause 4 of this Scheme.

1.11. **"Scheme" or "the Scheme" or "this Scheme" or "this Scheme of Arrangement"** means the Scheme of Arrangement in its present form (along with any annexures, schedules, etc., annexed/attached hereto) or with any modification(s) and amendments made under Clause 12 of this Scheme from time to time and with appropriate approvals and sanctions as imposed or directed by the Tribunal or such other competent authority, as may be required under the Act, as applicable, and under all other applicable laws.

1.12. **"Stock Exchange"** means The Bombay Stock Exchange Limited.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof from time to time.

In the Scheme, unless the context otherwise requires:

- (i) reference to clauses, recitals and schedules, unless otherwise provided, are to clauses, recitals and schedules of and to this Scheme;
- (ii) references to the singular shall include the plural and *vice versa* and references to any gender includes the other gender;
- (iii) references to a statute or statutory provision include that statute or provision as from time to time modified or re-enacted or consolidated and (so far as liability thereunder may exist or can arise) shall include also any past statutory provision (as from time to time modified or re-enacted or consolidated) which such provision has directly or indirectly replaced, provided that nothing in this Clause shall operate to increase the liability of any Party beyond that which would have existed had this Clause been omitted;
- (iv) any references in the Scheme to "upon the Scheme becoming effective" or "effectiveness of the Scheme" shall mean the Effective Date;
- (v) references to a document shall be a reference to that document as modified, amended, novated or replaced from time to time;
- (vi) headings are for convenience only and shall be ignored in construing or interpreting any provision of this Scheme;
- (vii) the expression "this Clause" shall, unless followed by reference to a specific provision, be deemed to refer to the whole Clause (and not merely the sub-Clause, paragraph or other provision) in which the expression occurs;
- (viii) references to Clauses and Schedules are to Clauses of and Schedules to this Scheme;
- (ix) references to the words "include" or "including" shall be construed without limitation;
- (x) references to the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Scheme as a whole and not to any particular provision of this Scheme; and





(xi) where a wider construction is possible, the words "other" and "otherwise" shall not be construed *ejusdem generis* with any foregoing words.

**DATE OF TAKING EFFECT AND OPERATIVE DATE**

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the NCLT or made as per Clause 12 of the Scheme, shall be effective from the Appointed Date and shall be operative from the Effective Date.

**2. SHARE CAPITAL**

2.1. The authorized, issued, subscribed and paid-up share capital of the Demerged Company as per its last audited balance sheet for the financial year ended March 31, 2017 is as under :

<b>Particulars</b>	<b>Amount in INR</b>
<b><u>Authorised Capital</u></b>	
10,00,000 Equity Shares of Rs. 10 each	1,00,00,000
<b>Total</b>	<b>1,00,00,000</b>
<b><u>Issued, Subscribed and Paid-up</u></b>	
1,18,709 Equity Shares of Rs. 10 each fully paid up	11,87,090
<b>Total</b>	<b>11,87,090</b>

From March 31, 2017 until the date of the Scheme being approved by the Board of Directors of the Demerged Company and the Resulting Company, there has been no change in the authorised, issued, subscribed and paid up share capital of the Demerged Company.

2.2. The authorized, issued, subscribed and paid-up share capital of the Resulting Company as per its last audited balance sheet for the financial year ended March 31, 2017 is as under:





Particulars	Amount in INR
<b><u>Authorised Capital</u></b>	
1,30,00,000 Equity Shares of Rs. 10 each	13,00,00,000
2,00,000 9% Redeemable, Non-Convertible Preference Shares of Rs.100/- each	2,00,00,000
<b>Total</b>	<b>15,00,00,000</b>
<b><u>Issued, Subscribed and Paid-up</u></b>	
1,29,92,500 Equity Shares of Rs. 10 each	12,99,25,000
1,60,000 9% Redeemable, Non-Convertible Preference Shares of Rs.100/- each	1,60,00,000
<b>Total</b>	<b>14,59,25,000</b>

From March 31, 2017 until the date of the Scheme being approved by the Board of Directors of the HFL, there has been no change in the authorised, issued, subscribed and paid up share capital of HFL, except for the preferential allotment of 5,00,000 equity shares of face value Rs. 10 each approved by the Board vide resolution dated 24<sup>th</sup> day of May 2018.

Subsequent to the above preferential allotment, share capital of the HFL shall be as under:

Particulars	Amount in INR
<b><u>Authorised Capital</u></b>	
1,95,00,000 Equity Shares of Rs. 10 each	19,50,00,000
2,00,000 9% Redeemable, Non-Convertible Preference Shares of Rs.100/- each	2,00,00,000
<b>Total</b>	<b>21,50,00,000</b>
<b><u>Issued, Subscribed and Paid-up</u></b>	
1,34,92,500 Equity Shares of Rs. 10 each	13,49,25,000
1,60,000 9% Redeemable, Non-Convertible Preference Shares of Rs.100/- each	1,60,00,000
<b>Total</b>	<b>15,09,25,000</b>

**PART B:**

**DEMERGER OF THE CONTRACT MANUFACTURING (HYDERABAD) BUSINESS INTO THE RESULTING COMPANY**

**3. TRANSFER AND VESTING OF CONTRACT MANUFACTURING (HYDERABAD) BUSINESS OF THE DEMERGED COMPANY INTO THE RESULTING COMPANY**

3.1. The Contract Manufacturing (Hyderabad) Business of the Demerged Company as defined in Clause 1.4 shall stand transferred to and vested in or deemed to be transferred to and vested in the Resulting Company, as a going concern, in accordance with Section 2(19AA) of the Income Tax Act, 1961 and in the following manner:

3.1.1. All Contract Manufacturing (Hyderabad) Assets that are movable in nature or incorporeal property or are otherwise capable of transfer by physical or constructive delivery and/or by endorsement and delivery or by operation of law pursuant to the





vesting order of the NCLT sanctioning the Scheme and its filing with the Registrar of Companies concerned. Such assets shall stand vested in the Resulting Company and shall be deemed to be and become the property and as an integral part of the Resulting Company by operation of law. The vesting order and sanction of the Scheme shall operate in relation to the movable property in accordance with its normal mode of vesting through the Resulting Company and as the context may provide, by physical or constructive delivery, or by endorsement and delivery, or by mere operation of the vesting order and its recordal or registration with the Registrar in accordance with the Act, as appropriate to the nature of the movable property vested. Upon the scheme becoming effective the title to such property shall be deemed to have been mutated and recognized as that of the Resulting Company.

3.1.2. All Contract Manufacturing (Hyderabad) Assets that are other movable properties, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, shall without any further act, instrument or deed, pursuant to the vesting order and by operation of law become the property of the Resulting Company, and the title thereof together with all rights, interests or obligations therein shall be deemed to have been mutated and recorded as that of the Resulting Company and any document of title pertaining to the assets of the Contract Manufacturing (Hyderabad) Business shall also be deemed to have been mutated and recorded as titles of the Resulting Company to the same extent and manner as originally held by the Demerged Company and enabling the ownership, right, title and interest therein as if the Resulting Company was originally the Demerged Company. The Resulting Company shall subsequent to the vesting order be entitled to the delivery and possession of all documents of title of such movable property in this regard.

3.1.3. All immovable properties of the Contract Manufacturing (Hyderabad) Business, including land together with the buildings and structures standing thereon and rights and interests in immovable properties of the Contract Manufacturing (Hyderabad) Business, whether freehold or leasehold or otherwise and all documents of title, rights and easements in relation thereto shall stand vested in and/or be deemed to have been vested in the Resulting Company, by operation of law pursuant to the vesting order of the NCLT sanctioning the Scheme, and its filings with the concerned Registrar of Companies. Such assets shall stand vested in the Resulting Company and shall be deemed to be and become the property as an integral part of the Resulting Company by operation of law. The Resulting Company shall simultaneous with the filing and registration of the order of the NCLT sanctioning the Scheme be always entitled to all the rights and privileges attached in relation to such immovable properties and shall be liable to pay appropriate rent, rates and taxes and fulfil all obligations in relation thereto or as applicable to such immovable property. Upon the Scheme becoming effective, the title to such properties shall deemed to have been mutated and recognised as that of the Resulting Company and the mere filing thereof with the appropriate Registrar or Sub-Registrar of Assurances or with the relevant Government shall suffice as record of continuing titles with the Resulting Company pursuant to the Scheme becoming effective and shall constitute a deemed mutation and substitution thereof. The Resulting





Company shall subsequent to the vesting order be entitled to the delivery and possession of all documents of title to such immovable property in this regard. It is hereby clarified that all the rights, title and interest of the Contract Manufacturing (Hyderabad) Business in any leasehold properties shall, pursuant to Section 232 of the Act and the provisions of this Scheme, without any further act, instrument or deed, be vested in or be deemed to have been vested in the Resulting Company.

- 3.1.4. All Contract Manufacturing (Hyderabad) Liabilities including debts, liabilities, contingent liabilities, duties and obligations, secured or unsecured, whether provided for or not in the books of account or disclosed in the balance sheets of the Demerged Company shall stand vested in the Resulting Company and shall upon the scheme becoming effective be deemed to be the debts, liabilities, contingent liabilities, duties and obligations of the Resulting Company, and the Resulting Company shall, and undertake to meet, discharge and satisfy the same in terms of their respective terms and conditions, if any. It is hereby clarified 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 give effect to the provisions of this Clause.
- 3.1.5. All Contract Manufacturing (Hyderabad) Contracts including contracts, deeds, bonds, agreements, schemes, arrangements and other instruments, permits, rights, entitlements, licenses (including the licenses granted by any Governmental, statutory or regulatory bodies) for the purpose of carrying on the Contract Manufacturing (Hyderabad) Business of the Demerged Company, and in relation thereto, and those relating to tenancies, privileges, powers, facilities of every kind and description of whatsoever nature in relation to the Contract Manufacturing (Hyderabad) Business of the Demerged Company, or to the benefit of which, Contract Manufacturing (Hyderabad) Business of the Demerged Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall by endorsement, delivery or recordal or by operation of law pursuant to the vesting order of NCLT sanctioning the Scheme, and its filing with the Registrar of Companies concerned be deemed to be contracts, deeds, bonds, agreements, schemes, arrangements and other instruments, permits, rights, entitlements, licenses (including the licenses granted by any Governmental, statutory or regulatory bodies) of the Resulting Company. Such properties and rights described hereinabove shall stand vested in the Resulting Company and shall be deemed to be the property and become the property by operation of law as an integral part of the Resulting Company. Such contracts and properties described above shall continue to be in full force and continue as effective as hitherto in favour of or against the Resulting Company and shall be the legal and enforceable rights and interests of the Resulting Company, which can be enforced and acted upon as fully and effectually as if, it were the Demerged Company, as the Resulting Company is and successor in interest. Upon the Scheme becoming effective, the rights, duties, obligations, interests flowing from such contracts and properties, shall be deemed to have been entered in and novated to the Resulting Company by operation of law and the Resulting Company shall be deemed to be its substituted party or beneficiary or obligor thereto. In relation to the same any procedural requirements required to be fulfilled solely by the Demerged Company (and not by any of its





successors), shall be fulfilled by the Resulting Company as if it were the duly constituted attorney of the Demerged Company. Upon this Scheme becoming effective and with effect from the Appointed Date, any contract of the Demerged Company relating to or benefiting at present the Demerged Company and the Contract Manufacturing (Hyderabad) Business, shall be deemed to constitute separate contracts, thereby relating to and/or benefiting the Resulting Company, respectively.

- 3.1.6. Any pending suits/appeals or other proceedings of whatsoever nature relating to the Contract Manufacturing (Hyderabad) Business of the Demerged Company, whether by or against such Demerged Company, shall not abate, be discontinued or in any way prejudicially affected by reason of the demerger of the Contract Manufacturing (Hyderabad) Business of the Demerged Company into the Resulting Company or of anything contained in this Scheme, but by virtue of the vesting and sanction order, such legal proceedings shall continue and any prosecution shall be enforced by or against the Resulting Company in the same manner and to the same extent as would or might have been continued, prosecuted and/or enforced by or against the Demerged Company, as if this Scheme had not been implemented.
- 3.1.7. All the Contract Manufacturing (Hyderabad) Employees shall become employees of and be engaged by the Resulting Company pursuant to the vesting order and by operation of law, with effect from the Effective Date, on such terms and conditions as are no less favourable than those on which they are currently engaged by the Demerged Company, without any interruption of service as a result of this hiving-off, without any further act, deed or instrument on the part of the Demerged Company or the Resulting Company. With regard to provident fund, gratuity, leave encashment and any other special scheme or benefits created or existing for the benefit of such employees, the Resulting Company shall stand substituted for the Demerged Company for all purposes whatsoever, upon this Scheme becoming effective, including with regard to the obligation to make contributions to relevant authorities, such as the Regional Provident Fund Commissioner or to such other funds maintained by the Demerged Company, in accordance with the provisions of applicable laws or otherwise. It is hereby clarified that upon this Scheme becoming effective, the aforesaid benefits or schemes shall continue to be provided to such employees and the services of all such employees of the Demerged Company for such purpose shall be treated as having been continuous.
- 3.1.8. All Contract Manufacturing (Hyderabad) IP including registrations, goodwill, licenses, trademarks, service marks, copyrights, domain names, applications for copyrights, trade names and trade marks, appertaining to the Contract Manufacturing (Hyderabad) Business of The Demerged Company, if any, shall stand vested in the Resulting Company without any further act, instrument or deed (unless filed only for statistical record with any appropriate authority or Registrar), upon filing of the order of the NCLT sanctioning the Scheme, with the Registrar of Companies concerned. The other intellectual property rights presently held by the Demerged Company, that relates to or benefit at present the Demerged Company and the Contract Manufacturing (Hyderabad) Business, shall be deemed to constitute separate intellectual property rights and the necessary substitution/endorsement shall be made and duly recorded in





the name of the Demerged Company and the Resulting Company, respectively, by the relevant authorities pursuant to the sanction of this Scheme by NCLT.

- 3.1.9. All taxes (including but not limited to value added tax, sales tax, service tax and any other indirect tax etc.) payable by or refundable to the Contract Manufacturing (Hyderabad) Business of the Demerged Company, including all or any refunds or claims shall be treated as the tax liability or refunds/claims, as the case may be, of the Resulting Company, and any tax incentives, advantages, privileges, exemptions, credits, holidays, remissions, reductions, etc, as would have been available to Contract Manufacturing (Hyderabad) Business of the Demerged Company, shall pursuant to this Scheme becoming effective, be available to the Resulting Company.
- 3.1.10. All Contract Manufacturing (Hyderabad) Licenses including approvals, consents, exemptions, registrations, no-objection certificates, permits, quotas, rights, entitlements, licenses (including the licenses granted by any Governmental, statutory or regulatory bodies for the purpose of carrying on its business or in connection therewith), and certificates of every kind and description whatsoever in relation to the Contract Manufacturing (Hyderabad) Business of the Demerged Company, or to the benefit of which the Contract Manufacturing (Hyderabad) Business of the Demerged Company may be eligible/entitled, and which are subsisting or having effect immediately before the Effective Date, shall by endorsement, delivery or recordal or by operation of law pursuant to the vesting order of NCLT sanctioning the Scheme, and its filing with the Registrar of Companies concerned, shall be deemed to be approvals, consents, exemptions, registrations, no-objection certificates, permits, quotas, rights, entitlements, licenses (including the licenses granted by any Governmental, statutory or regulatory bodies for the purpose of carrying on its business or in connection therewith), and certificates of every kind and description of whatsoever nature of the Resulting Company, and shall be in full force and effect in favour of the Resulting Company and may be enforced as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party or beneficiary or obligor thereto. Such of the other permits, licenses, consents, approvals, authorizations, quotas, rights, entitlements, allotments, concessions, exemptions, liberties, advantages, no-objection certificates, certifications, easements, tenancies, privileges and similar rights, and any waiver of the foregoing, as are held at present by the Demerged Company, but relate to or benefitting the Demerged Company and the Contract Manufacturing (Hyderabad) Business, shall be deemed to constitute separate permits, licenses, consents, approvals, authorizations, quotas, rights, entitlements, allotments, concessions, exemptions, liberties, advantages, no-objection certificates, certifications, easements, tenancies, privileges and similar rights, and any waiver of the foregoing, and the necessary substitution/endorsement shall be made and duly recorded in the name of the Resulting Company, respectively, by the relevant authorities pursuant to the sanction of this Scheme by NCLT. It is hereby clarified that if the consent of any third party or authority is required to give effect to the provisions of this Clause, the said third party or authority shall take on record the drawn up order of NCLT sanctioning the Scheme on its file and make and duly record the necessary substitution or endorsement in the name of the Resulting Company as successor in interest, pursuant to the sanction of this Scheme by NCLT, and upon this Scheme becoming effective in accordance with





the terms hereof. For this purpose, the Resulting Company shall file certified copies of such sanction order, and if required file appropriate applications, forms or documents with relevant authorities concerned for statistical, information and record purposes only, and there shall be no break in the validity and enforceability of approvals, consents, exemptions, registrations, no-objection certificates, permits, quotas, rights, entitlements, licenses (including the licenses granted by any Governmental, statutory or regulatory bodies for the purpose of carrying on its business or in connection therewith), and certificates of every kind and description of whatsoever nature.

3.1.11. Benefits of any and all corporate approvals as may have already been taken by The Demerged Company with respect to the Contract Manufacturing (Hyderabad) Business, whether being in the nature of compliances or otherwise, including without limitation, approvals under Sections 98,109,111,180,185,186,188 etc, of the Act read with the rules and regulations made there under, shall stand vested in the Resulting Company and the said corporate approvals and compliances shall, upon this Scheme becoming effective, be deemed to have been taken/complied with by the Resulting Company.

3.1.12. All estates, assets, rights, title, interests and authorities accrued to and/or acquired by the Demerged Company in relation to the Contract Manufacturing (Hyderabad) Business shall be deemed to have been accrued to and/or acquired for and on behalf of the Resulting Company and shall, upon this Scheme coming into effect, pursuant to the provisions of Section 232 and other applicable provisions of the Act, without any further act, instrument or deed be and stand vested in or be deemed to have been vested in the Resulting Company to that extent and shall become the estates, assets, right, title, interests and authorities of the Resulting Company.

#### **4. ISSUE OF SHARES BY THE RESULTING COMPANY PURSUANT TO DEMERGER**

4.1. Upon the Scheme becoming effective and upon vesting of the Contract Manufacturing (Hyderabad) Business of the Demerged Company in the Resulting Company, the Resulting Company shall, without any further application or deed, issue and allot to the shareholders of the Demerged Company whose name appears in the register of members of the Demerged Company as on the Record Date as may be stipulated by the Board of Directors of HFL, his/her heirs, executors, administrators or the successors in title, as the case may be and to the members who shall produce details of their account with a depository participant to the Resulting Company on or before such date as may be stipulated by the Board of Directors, in the following proportion viz:

*" 42.15 fully paid up Equity Share of Rs. 10 of the Resulting Company shall be issued and allotted as fully paid up for every 1 Equity Share of Rs. 10 fully paid up held in the Demerged Company."*

4.2. Any fraction arising on issue of shares as above will be rounded off to the nearest integer.

4.3. The Resulting Company shall take necessary steps to increase or alter or re-classify, if necessary, its Authorized Share Capital suitably to enable it to issue and allot the shares required to be issued and allotted by it under this Scheme.

4.4. The shares to be issued and allotted as above shall be subject to and in accordance with the Memorandum and Articles of Association of the Resulting Company.





- 4.5. The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank pari-passu in all respects with the existing equity shares of the resulting Company.
- 4.6. The approval of this Scheme by the shareholders of the Resulting Company shall be deemed to be due compliance of the provisions of section 42, section 62, if applicable, and all the other relevant and applicable provisions of the Act for the issue and allotment of shares by the Resulting Company to the shareholders of the Demerged Company, as provided in this Scheme.
- 4.7. The consideration in the form of equity shares shall be issued and allotted by the Resulting Company in dematerialized form subject to clause 4.1 above to all the shareholders of the Demerged Company holding such shares as on the Record Date. Further, the Resulting Company shall ensure that the shares so allotted pursuant to this clause are listed on the stock exchanges where existing shares of the Resulting Company are listed.

## **5. ACCOUNTING TREATMENT**

### **5.1. IN THE BOOKS OF DEMERGED COMPANY**

- 5.1.1. Upon the scheme becoming effective, the Demerged Company shall reduce the book value of all assets, liabilities and reserves pertaining to the Contract Manufacturing (Hyderabad) Business of the Demerged Company as on the Appointed Date from its books of accounts.
- 5.1.2. The difference, between the book value of assets pertaining to the Contract Manufacturing (Hyderabad) Business demerged from the Demerged Company pursuant to this Scheme and the book value of the liabilities and reserves pertaining to the Contract Manufacturing (Hyderabad) Business demerged from the Demerged Company pursuant to this Scheme shall be adjusted in reserves of the Demerged Company.

### **5.2. IN THE BOOKS OF THE RESULTING COMPANY**

- 5.2.1. Upon the coming into effect of this Scheme and with effect from the Appointed Date, HFL shall account for the Demerged Undertaking in its books in accordance with 'Pooling of Interest Method' of accounting as per Indian Accounting Standard (Ind AS) 103 (Business Combination) prescribed under Section 133 of the Companies Act, 2013, which is applicable to HFL since this is a common control business combination. It would Inter alia include the following :
- 5.2.1.1. The Resulting Company shall record the assets and liabilities comprised in the Demerged Undertaking transferred to and vested in it pursuant to this Scheme, at the same value appearing in the books of Demerged Company.
- 5.2.1.2. The Resulting Company shall credit its share capital account in its books of account with the aggregate face value of the equity shares issued to the shareholders of the Demerged Company pursuant to Clause 4 of this Scheme.
- 5.2.1.3. The identity of the reserves pertaining to Demerged Undertaking of ACPL shall be preserved and shall appear in the financial statements of HFL in the same form and manner, in which they appeared in the financial statements of ACPL, prior to this Scheme becoming effective.





- 5.2.1.4. The difference, being the excess of book value of the assets over the liabilities of the Demerged Company pertaining to the Demerged Undertaking transferred from the Demerged Company and recorded by the Resulting Company in accordance with Clause 5.2.1.1 above, over the amount credited as share capital as per Clause 5.2.1.2 above, and after giving effect to 5.2.1.3 above, shall be adjusted in capital reserve in accordance with the accounting principles prescribed under Ind AS-103.
- 5.2.1.5. In case of any differences in accounting policy between ACPL and HFL, the accounting policies followed by HFL will prevail and the difference till the Appointed Date shall be adjusted in Capital Reserves of HFL, to ensure that the financial statements of HFL reflect the financial position on the basis of consistent accounting policy.

## **6. CONDUCT OF BUSINESS UNTIL THE EFFECTIVE DATE**

### **6.1. With effect from the Appointed Date and up to and including the Effective Date**

- (a) The Demerged Company shall carry on and be deemed to have carried on the business and activities in relation to Contract Manufacturing (Hyderabad) Business and shall stand possessed of their properties and assets relating to Contract Manufacturing (Hyderabad) Business for and in trust for the Resulting Company and all the profits / losses accruing on account of the Contract Manufacturing (Hyderabad) Business shall for all purposes be treated as profits / losses of the Resulting Company.
- (b) The Demerged Company shall not utilize the profits or income, if any, relating to the Contract Manufacturing (Hyderabad) Business for the purpose of declaring or paying any dividend or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of the Resulting Company.
- (c) The Demerged Company shall not without the prior written consent of the Board of Directors of the Resulting Company or pursuant to any pre-existing obligation, sell, transfer or otherwise alienate, charge, mortgage or encumber or otherwise deal with or dispose of the undertaking relating to Contract Manufacturing (Hyderabad) Business or any part thereof except in the ordinary course of its business.
- (d) The Demerged Company shall not vary the existing terms and conditions of service of its permanent employees relating to Contract Manufacturing (Hyderabad) Business except in the ordinary course of its business or without prior consent of the Resulting Company or pursuant to any pre-existing obligation undertaken by the Demerged Company as the case may be, prior to Effective Date.

6.2. The Resulting Company shall be entitled, pending the sanction of the Scheme, to apply to the Central/State Government, and all other agencies, departments and authorities concerned as are necessary under any law or rules, for such consents, approvals and sanctions, which the Resulting Company may require pursuant to this Scheme.

## **7. STAFF, WORKMEN & EMPLOYEES**

7.1. All the permanent employees of the Demerged Company engaged in or in relation to the Contract Manufacturing (Hyderabad) Business of the Demerged Company, who are in





service on the date immediately preceding the Effective Date shall, on and from the Effective Date become and be engaged as the employees of the Resulting Company, without any break or interruption in service as a result of the transfer and on terms and conditions not less favourable than those on which they are engaged by the Demerged Company immediately preceding the Effective Date. Services of the employees of the Demerged Company shall be taken into account from the date of their respective appointment with the Demerged Company for the purposes of all retirement benefits and all other entitlements for which they may be eligible. The Resulting Company further agrees that for the purpose of payment of any retrenchment compensation, if any, such past services with the Demerged Company shall also be taken into account. The services of such employees shall not be treated as having been broken or interrupted for the purpose of Provident Fund or Gratuity or Superannuation or other statutory purposes and for all purposes will be reckoned from the date of their respective appointments with the Demerged Company.

It is provided that as far as the Provident Fund, Gratuity Fund and Pension and/ or Superannuation Fund or any other special fund created or existing for the benefit of the staff, workmen and other employees of the Demerged Company are concerned, upon the Scheme becoming effective, the Resulting Company shall stand substituted for the Demerged Company in respect of the employees transferred with the Contract Manufacturing (Hyderabad) Business for all purposes whatsoever relating to the administration or operation of such Funds or Trusts or in relation to the obligation to make contribution to the said Funds or Trusts in accordance with the provisions of such Funds or Trusts as provided in the respective Trust Deeds or other documents. It is the aim and the intent of the Scheme that all the rights, duties, powers and obligations of the Contract Manufacturing (Hyderabad) Business of the Demerged Company in relation to such Funds or Trusts shall become those of the Resulting Company. The Trustees including the Board of Directors of the Demerged Company and the Resulting Company or through any committee / person duly authorized by the Board of Directors in this regard shall be entitled to adopt such course of action in this regard as may be advised provided however that there shall be no discontinuation or breakage in the services of the employees of the Demerged Company.

- 7.2. With effect from the first of the dates of filing of this Scheme with NCLT and up to and including the Effective Date, the Demerged Company shall not vary or modify the terms and conditions of employment of any of its employees engaged in or in relation to the Contract Manufacturing (Hyderabad) Business of the Demerged Company, except with written consent of the Resulting Company.



## 8. LEGAL PROCEEDINGS

- 8.1. All legal proceedings of whatsoever nature by or against the Demerged Company pending and/or arising before the Effective Date and relating to the Contract Manufacturing (Hyderabad) Business, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against the Resulting Company, as the case may be in the same manner and to the same extent as would or might have been continued and enforced by or against the Demerged Company. Any cost pertaining to the said proceedings





between the Appointed Date and the Effective date incurred by the Demerged Company shall be reimbursed by the Resulting Company.

- 8.2. After the Effective Date, if any proceedings are taken against the Demerged Company in respect of the matters referred to in the sub-clause 8.1 above, they shall defend the same at the cost of the Resulting Company, and the Resulting Company shall reimburse and indemnify the Demerged Company against all liabilities and obligations incurred by the Demerged Company in respect thereof.
- 8.3. The Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company referred to in Clauses 8.1 or 8.2 above transferred into its name and to have the same continued, prosecuted and enforced by or against the Resulting Company as the case may be, to the exclusion of the Demerged Company.

#### **9. CONTRACTS, DEEDS, ETC.**

- 9.1. Notwithstanding anything to the contrary contained in the contract, deed, bond, agreement or any other instrument, but subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature and subsisting or having effect on the Effective Date and relating to the Contract Manufacturing (Hyderabad) Business of the Demerged Company, shall continue in full force and effect against or in favour of the Resulting Company and may be enforced effectively by or against the Resulting Company as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.
- 9.2. The Resulting Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, enter into, or issue or execute deeds, writings, confirmations, novations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. The Resulting Company shall, be deemed to be authorised to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of the Demerged Company.

#### **10. SAVING OF CONCLUDED TRANSACTIONS**

- 10.1. The transfer of properties and liabilities under Clause 3.1 above and the continuance of proceedings by or against the Resulting Company under Clause 8 above shall not affect any transaction or proceedings already concluded by the Demerged Company on or after the Appointed Date 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 Company in relation to the Contract Manufacturing (Hyderabad) Business in respect thereto as done and executed on behalf of itself.



#### **PART C:** **GENERAL TERMS AND CONDITIONS**



#### **11. APPLICATION TO NCLT**



- 11.1. The Demerged Company and the Resulting Company shall make Applications / Petitions under Sections 290 to 292 of the Companies Act, 2013 and other applicable provisions of the Act to NCLT for sanction of this Scheme under the provisions of law.

## **12. MODIFICATION OR AMENDMENTS TO THE SCHEME**

- 12.1. The Demerged Company and the Resulting Company, with approval of their respective Board of Directors may consent, from time to time, on behalf of all persons concerned, to any modifications / amendments or additions / deletions to the Scheme which may otherwise be considered necessary, desirable or appropriate by the said Board of Directors to resolve all doubts or difficulties that may arise for carrying out this Scheme and to do and execute all acts, deeds, matters, and things necessary for bringing this Scheme into effect or agree to any terms and / or conditions or limitations that NCLT or any other authorities under law may deem fit to approve of, to direct and / or impose. The aforesaid powers of the Demerged Company and the Resulting Company to give effect to the modification / amendments to the Scheme may be exercised by their respective Board of Directors or any person authorised in that behalf by the concerned Board of Directors subject to approval of NCLT or any other authorities under the applicable law.

## **13. CONDITIONALITY OF THE SCHEME**

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

- 13.1. The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, including Stock Exchange and/or Securities and Exchange Board of India which by law may be necessary for the implementation of this Scheme.
- 13.2. The Scheme being approved by the requisite majorities in number and value of such classes of persons including the respective members and/or creditors of the Demerged Company and the Resulting Company as may be directed by NCLT.
- 13.3. Approval of the shareholders of the Resulting Company and the Demerged Company through e-voting and/ or postal ballot and/ or any other mode as may be required under any applicable law. The Scheme shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders of the Resulting Company against it as required under the SEBI Circular. The term 'public' shall carry the same meaning as defined under the Rule 2 of Securities Contracts (Regulation) Rules, 1957;
- 13.4. The sanction of NCLT under Sections 230 to 232 in favour of the Demerged Company, and the Resulting Company under the said provisions and the necessary Order under Section 232 of the Companies Act, 2013 of the said Act being obtained;
- 13.5. Certified or authenticated copy of the Order of NCLT sanctioning the Scheme being filed with the respective Registrar of Companies by the Demerged Company and the Resulting Company as may be applicable.

## **14. EFFECT OF NON-RECEIPT OF APPROVALS**

In the event of any of the said sanctions and approvals referred to in the preceding Clause not being obtained and/ or the Scheme not being sanctioned by NCLT or such other





competent authority and / or the Order not being passed as aforesaid before 31<sup>st</sup> December 2019 or within such further period or periods as may be agreed upon between the Demerged Company and the Resulting Company by their Boards of Directors (and which the Boards of Directors of the Companies are hereby empowered and authorized to agree to and extend the Scheme from time to time without any limitation) this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

**15. COSTS, CHARGES & EXPENSES**

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of the Resulting Company arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto shall be borne by the Resulting Company.

**16. SEVERABILITY**

If any part of this Scheme is invalid, ruled illegal by any court of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the Parties that such part shall be severable from the remainder of this Scheme and this Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case Demerged Company and the Resulting Company (acting through their respective Boards of Directors) shall attempt to bring about appropriate modification to this Scheme, as will best preserve for the Parties, the benefits and obligations of this Scheme, including but not limited to such part.

