

SCHEME OF ARRANGEMENT

UNDER SECTIONS 391 TO 394 READ WITH SECTIONS 100 TO 103 OF THE COMPANIES ACT, 1956

BETWEEN

Chandni Textiles Engineering Industries Limited

... Demerged Company

AND

Chandni Machines Private Limited

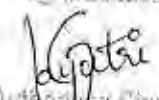
.... Resulting Company

AND

their respective shareholders and creditors

CERTIFIED TRUE COPY

for Chandni Textiles Engineering Industries Ltd,


Authorized Signatory
COMPANY SECRETARY

PREAMBLE

A. Introduction to Parties:

- (i) Chandni Textiles Engineering Industries Limited ("**Demerged Company**" or "**CTEIL**") is a public limited company incorporated under the provisions of the Companies Act, 1956, having its registered office situated at -110, T.V. Industrial Estate, 52, S. K. Ahire Marg, Worli, Mumbai - 400 030. The Corporate Identity Number of the Demerged Company is L25209MH1986PLC040119. The Demerged Company was originally incorporated in the name of 'Amita Texturisers Private Limited' on June 17, 1986. Pursuant to fresh certificate of incorporation issued on January 4, 1990 the name of the Company was changed to 'Chandni Engineering Private Limited'. Further, pursuant to provisions of Section 23 of the Companies Act, 1956 on March 6, 1992 it changed its name to 'Chandni Engineering Limited'. The Demerged Company later again changed its name to 'Chandni textiles limited' as on October 18, 2005. Pursuant to fresh certificate of incorporation dated January 18, 2010, the name of the Demerged Company was changed to 'Chandni Textiles Engineering Industries Limited'. The equity shares of the Demerged Company are listed on BSE Limited.
- (ii) Chandni Machines Private Limited ("**Resulting Company or CMPL**") incorporated on 12th April, 2016 is a private limited company incorporated under the provisions of the Companies Act, 2013, having its registered office situated at -110, T.V. Industrial Estate, 52, S. K. Ahire Marg, Worli, Mumbai - 400 030. The Corporate Identity Number of the Resulting Company is U74999MH2016PTC279940.
- (iii) This Scheme provides for the demerger of the Demerged Undertaking of Chandni Textiles Engineering Industries Limited, the Demerged Company, into Chandni Machines Private Limited, the Resulting Company pursuant to provisions of Sections 391 to 394 read with Sections 100 to 103 and other applicable provisions of the Companies Act 1956 and other applicable notified provisions of the Companies Act, 2013.
- (iv) This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income Tax Act, 1961. If any term or provision of the Scheme is found or interpreted to be inconsistent with the said provisions at a later date, including resulting from an amendment of law or for any other reason whatsoever and the Scheme shall stand modified to the extent determined necessary to comply with Section 2(19AA) of the Income Tax Act, 1961. Such modification will however not affect other parts of the Scheme.

B. Demerger and Rationale:

Demerger:

- (i) The Demerged Company is engaged in the business of sourcing of machinery and manufacturing of textile products. Its business activities broadly can be classified into two divisions namely, (i) Engineering division, which is engaged in sourcing of engineering machinery and (ii) Textile division, which is engaged in manufacturing of velvet fabrics. ("**Business**").
- (ii) The Demerged Company intends to demerge its Engineering Division into the Resulting Company defined as the Demerged Undertaking and identified in **Schedule 1** to the Resulting Company, in accordance with this Scheme.

Rationale and Benefits of the Demerger:



- (iii) The rationale and benefits of the Demerger (as defined hereinafter) are set out below:
- (a) This Scheme provides for the transfer by way of a demerger of the Demerged Undertaking of the Demerged Company to the Resulting Company, the consequent issue of the securities by the Resulting Company to the shareholders of the Demerged Company on a proportionate basis in consideration of the transfer and vesting of the Demerged Undertaking in the Resulting Company.
 - (b) With a view to achieve the aforesaid growth potential, the Demerged Company proposes to re-organize and segregate, by way of the Scheme, its business, undertaking and investments in the Business.
 - (c) The Scheme does not have any adverse effect on either the shareholders or the employees or the creditors of the Demerged Company.
 - (d) The demerger under this scheme will be affected under the provisions of Sections 391 to 394 read with other relevant provisions of the Act. The demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company shall comply with the provisions of Section 2(19AA) of the Income Tax Act, 1961

C. Scheme of Arrangement:

The Scheme (as defined hereinafter) is divided into the following parts:

- (a) Part I - which deals with the introduction and definitions;
- (b) Part II – which deals with the Demerger; and
- (c) Part III – which deals with the Accounting Treatment
- (d) PART IV - which deals with the general terms and conditions of the Scheme.

PART I: INTRODUCTION AND DEFINITIONS

1. DEFINITIONS AND INTERPRETATION

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

"Act" means the Companies Act, 1956 read together with the notified provisions of Companies Act, 2013 including any statutory modifications, re-enactment rules, regulations, notifications, amendments or statutory replacement or re-enactment or amendments thereof;

"Act 2013" means the Companies Act, 2013 and shall include any statutory modification or re-enactment thereof for the time being in force;

"Appointed Date" means the opening business hours of July 01, 2016

"Board of Directors" or "Board" in relation to each of the Demerged Company and the Resulting Company, as the case may be, shall mean the board of directors of such company, and shall include any committee duly constituted and authorized for the purposes of matters pertaining to the Demerger, the Scheme and/or any other matter relating thereto;



"BSE" means the Bombay Stock Exchange Limited wherein the Demerged Company's equity shares are listed

"Demerged Company" or "CTEIL" shall have the meaning ascribed to it in Paragraph A (i) of the Preamble to this Scheme;

"Demerged Undertaking" or "Engineering Division" means the division of CTEIL which engages in sourcing of machineries such as the plastics & rubber machineries, metal working machineries and other related equipments. It also engages in repairing, reconditioning, refurbishing of the machineries, and also supply spare parts which are not readily available in the market.

"Demerge" means the transfer by way of demerger in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961 of the Demerged Undertaking to the Resulting Company and the consequent issue of equity shares by the Resulting Company to the shareholders of the Demerged Company as set out in this Scheme;

"Effective Date" means the Appointed Date or last of the dates on which all the conditions and matters referred to in clause 5.4 of this Scheme occur or have been fulfilled or waived in accordance with this Scheme, whichever is later. References in this Scheme to date of 'coming into effect of the Scheme' or 'effectiveness of the Scheme' shall mean the Effective Date;

"Employees" mean the permanent employees on the payroll of the Demerged Company who are employed / engaged only in the Demerged Undertaking on the Effective Date, as identified by the Board of Directors of the Demerged Company;

"Encumbrance" means any options, pledge, mortgage, lien, security, interest, claim, charge, pre-emptive right, easement, limitation, attachment, restraint or any other encumbrance of any kind or nature whatsoever; and the term "Encumbered" shall be construed accordingly;

"Governmental 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;

"High Court" means the High Court of Judicature at Bombay, Maharashtra, having jurisdiction in relation to the Demerged Company and Resulting Company to which this Scheme is submitted for approval under Sections 391 to 394. In the event that the Central Government by a notification to this effect constitutes a National Company Law Tribunal or any other authority or forum, and the proceedings under Section 391 to 394 of the Act pursuant to this Scheme are transferred to such tribunal, authority or forum, the term "Court" or "High Court" shall be deemed to include the National Company Law Tribunal or such other authority or forum;

"Record Date" means the date to be fixed by the Board of Directors of the Demerged Company in consultation with the Board of Directors of the Resulting Company for the purpose of determining the equity shareholders of the Demerged Company to whom shares of the Resulting Company will be allotted pursuant to this Scheme;

"Registrar of Companies" means the Registrar of Companies, Mumbai;

"Remaining Business" means all the undertakings, business activities, activities and operations of the Demerged Company other than those comprised in the Demerged Undertaking being demerged pursuant to the Scheme and related assets and liabilities thereto;

"Resulting Company" or "CMPL" shall have the meaning ascribed to it in Paragraph A (ii) of the Preamble to this Scheme;

"Resulting Company Equity Share" means one equity share of the Resulting Company of INR 10/-



each fully paid up for every five equity shares of the Demerged Company of INR 10/- each fully paid up; and

"Scheme" means this scheme of arrangement, including the schedules, as amended or modified in accordance with the provisions hereof.

1.2. In this Scheme, unless the context otherwise requires:

- (a) all terms and words used but 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 (or Act 2013) and any other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof for the time being in force.
- (ii) references to clauses, recitals and schedules, unless otherwise provided, are to clauses, recitals and schedules of and to this Scheme.
- (iii) the headings herein shall not affect the construction of this Scheme.
- (iv) the singular shall include the plural and vice versa; and references to one gender include all genders.
- (v) any phrase introduced by the terms including in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- (vi) references to person include any individual, firm, body corporate (whether incorporated), Government, state or agency of a state or any joint venture, association, partnership, works council or employee representatives body (whether or not having separate legal personality).

2. SHARE CAPITAL

2.1. Demerged Company:

The authorized, issued, subscribed and paid-up share capital structure of the Demerged Company as per the last Audited Balance Sheet as on March 31, 2016 and June 30, 2016 is as under:

PARTICULARS	AMOUNT (Rs.)
AUTHORISED SHARE CAPITAL:	
20,00,00,000 Equity Shares of Rs.1/- each	20,00,00,000
TOTAL	20,00,00,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL:	
16,13,72,630 Equity Shares of Rs.1/- each	16,13,72,630
TOTAL	16,13,72,630

Subsequent to the above date and till the date of the Scheme being approved by the Board of Directors of the Demerged Company, there has been no change in the authorized, issued, subscribed and paid-up share capital of the Demerged Company.



2.2. Resulting Company:

The authorized, issued, subscribed and paid-up share capital structure of the Resulting Company as per the last Audited Balance Sheet as on March 31, 2016 and June 30, 2016 is as under:

PARTICULARS	AMOUNT (Rs.)
<u>AUTHORISED SHARE CAPITAL:</u>	
30,00,000 Equity Shares of Rs.10/- each	3,00,00,000
TOTAL	3,00,00,000
<u>ISSUED, SUBSCRIBED AND PAID UP CAPITAL:</u>	
10,000 Equity Shares of Rs.10/- each	1,00,000
TOTAL	1,00,000

Subsequent to the above date and till the date of the Scheme being approved by the Board of Directors of the Resulting Company, there has been no change in the authorized, issued, subscribed and paid-up share capital of the Demerged Company.

PART II - DEMERGER

3. Transfer and Vesting of the Demerged Undertaking

3.1 Transfer of Assets

- (i) Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Demerged Undertaking, including all the assets, investments, rights, claims, title, interest and authorities including accretions and appurtenances of the Demerged Undertaking shall, subject to the provisions of this clause 3 in relation to the mode and transfer and vesting and pursuant to the provisions of Section 394(2) of the Act, without any further act or deed, be demerged from the Demerged Company and be transferred to and vested in and shall be deemed to be demerged from the Demerged Company and transferred to and vested in the Resulting Company as a going concern so as to become, as and from the Appointed Date, the Demerged Undertaking, including all the investments, estate, assets, rights, claims, title, interest and authorities of the Resulting Company, subject to the provisions of this Scheme.
- (ii) In respect of such of the assets of the Demerged Undertaking as are movable in nature or are otherwise capable of transfer by delivery or possession or by endorsement and delivery, the same shall stand so transferred by the Demerged Company upon the coming into effect of the Scheme, and shall become the property of the Resulting Company as an integral part of the Demerged Undertaking with effect from the Appointed Date pursuant to the provisions of Section 394 of the Act without requiring any deed or instrument of conveyance for transfer of the same, subject to the provisions of this Scheme in relation to Encumbrances in favour of banks and/or financial institutions.
- (iii) In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in sub-clause (ii) above, the same shall, as more particularly provided in sub-clause (i) above, without any further act, instrument or deed, be



demerged from the Demerged Company and transferred to and vested in and/or be deemed to be demerged from the Demerged Company and transferred to and vested in the Resulting Company upon the coming into effect of the Scheme and with effect from the Appointed Date pursuant to the provisions of Sections 391 to 394 of the Act.

- (iv) The value of assets pertaining to the Demerged Undertaking being transferred to and vesting with the Resulting Company in accordance with this Scheme is on the basis of Book Value as set out in the balance sheet of the Demerged Company. For the purpose of this clause, the term "Book Value" means, the value(s) of the assets and liabilities of the Demerged Undertaking as appearing in the books of accounts of the Demerged Company at the close of the business as on the day immediately preceding the Appointed Date and excluding any value arising out of revaluation of any assets.
- (v) Notwithstanding anything stated hereinabove, the value of moveable assets comprising of investment, market instrument or other securities (including accretions thereto) in relation to the Demerged Undertaking shall be transferred to and vested in the Resulting Company in such modes and manner as may be mutually agreed upon by the respective Board of the Demerged Company and Resulting Company
- (vi) All assets, rights, title and interest of the Demerged Company in relation to / part of the Demerged Undertaking shall also, without any further act, instrument or deed, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Resulting Company upon the coming into effect of the Scheme and with effect from the Appointed Date pursuant to the provisions of Sections 391 to 394 of the Act.
- (vii) It is hereby clarified that, notwithstanding anything contained in this Scheme, all patents, copyrights, designs, trademarks, trade names, service marks, service names, brand names, domain names, email addresses, websites, including all contents of the websites, trade dress, logos and corporate names, both primary and secondary, trade secrets, know-how, processes, systems, computer software, data, reports, instructions, source code, machine code, documentation, manuals, algorithms, flow-charts, diagrams, drawings, notes, exploitation of any present or future technologies, other confidential information, including proposals, financial and accounting data, business and marketing plans, customer and supplier lists, sales targets, sales statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional and related information and any databases (electronic or otherwise) containing any of the foregoing, and all rights or forms of protection having equivalent or similar effect to any of the foregoing which may subsist in India or in any other part of the world, including registrations and applications for registration of any of the foregoing in any jurisdiction and the rights to apply for the same, in each case by whatever name called and whether or not registered, and in each case owned and/or used by the Demerged Company, pertaining to the Demerged Undertaking, shall be transferred to or be deemed to be transferred to or vested in the Resulting Company pursuant to this Scheme, in the manner as provided above and more particularly described in Schedule 2;
- (viii) Upon the effectiveness of the Scheme, all registrations and licenses that do not stand vested upon the effectiveness of the Scheme, the Demerged Company and the Resulting Company shall enter into appropriate arrangements for licensing which are required for use by the Resulting Company in relation to the Demerged Undertaking on such terms as may be mutually agreed to between the Demerged



Company and the Resulting Company. It is hereby clarified that all licenses, permissions, certificates and the like that shall stand transferred and vested pursuant to the demerger under this Scheme shall continue to retain the existing license number or registration number, as the case may be and shall not require any modification alteration or a new registration at all.

3.2 Contracts, Deeds etc.

- (i) Upon the coming into effect of the Scheme and with effect from the Appointed Date, all the contracts relating to the Demerged Undertaking, shall, subject to the provisions of this clause in relation to the mode of transfer and vesting and pursuant to the provisions of Section 394(2) of the Act, without any further act or deed, be demerged from the Demerged Company and be transferred to and vested in and shall be deemed to be demerged from the Demerged Company and transferred to and vested, in the Resulting Company as a going concern so as to become as and from the Appointed Date, the contracts of the Resulting Company and more particularly described in **Schedule 3**.
- (ii) Upon the coming into effect of the Scheme, and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Demerged Undertaking, to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favour, as the case may be, 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 obligee thereto or there under.
- (iii) Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Demerged Undertaking occurs by virtue of this Scheme itself, the Resulting Company may, at any time after the coming into effect of the Scheme, in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary in order to give formal effect to the provisions of this Scheme. The Demerged Company will, if necessary, also be a party to the above. The Resulting Company shall, under the provisions of this Scheme, 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 referred to above on the part of the Demerged Company to be carried out or performed.
- (iv) Without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of the Scheme, all consents, permissions, licenses, approvals, certificates, insurance covers, clearances, authorities, powers of attorney given by, issued to or executed in favour of the Demerged Company in relation to the Demerged Undertaking shall stand transferred to the Resulting Company as if the same were originally given by, issued to or executed in favour of the Resulting Company, and the Resulting Company shall be bound by the terms thereof, the obligations and duties there under, and the rights and benefits under the same shall be available to the Resulting Company.
- (v) Without prejudice to the aforesaid, it is clarified that if any assets (including claims, rights, title, interest in or authorities relating to any asset) or any contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever



nature in relation to the Demerged Undertaking which the Demerged Company owns or to which the Demerged Company is a party to, cannot be transferred to the Resulting Company for any reason whatsoever, the Demerged Company shall hold such assets, contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company, insofar as it is permissible so to do, till such time as the transfer is affected.

3.3 Transfer of Liabilities

- (i) Upon the coming into effect of the Scheme and subject to the provisions of this Scheme, all loans raised and used, debts, liabilities, duties and obligations (including the liabilities which arise out of the activities or operations of the Demerged Undertaking) of the Demerged Company as on the Appointed Date and relating to the Demerged Undertaking as particularly described in **Schedule 4**, shall, without any further act or deed, be and stand transferred to and be deemed to be transferred to the Resulting Company to the extent that they are outstanding as on the Effective Date and shall become the loans, debts, liabilities, duties and obligations of the Resulting Company. Where any of the loans raised and used, debts, liabilities, duties and obligations of the Demerged Company as on the Appointed Date deemed to be transferred to the Resulting Company have been discharged by the Demerged Company on or after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Resulting Company.
- (ii) Upon the coming into effect of the Scheme, all loans raised and used and all debts, liabilities, duties and obligations incurred by the Demerged Company for the operations of the Demerged Undertaking with effect from the Appointed Date and prior to the Effective Date, subject to the terms of this Scheme, 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 and be deemed to be transferred to the Resulting Company and shall become the loans, debts, liabilities, duties and obligations of the Resulting Company.
- (iii) In so far as the existing Encumbrance in respect of the loans, borrowings, debts, liabilities, is concerned, such Encumbrance shall, without any further act, instrument or deed be modified and shall be extended to and shall operate only over the assets comprised in the Demerged Undertaking which have been Encumbered in respect of the transferred liabilities as transferred to the Resulting Company pursuant to this Scheme. Provided that if any of the assets comprised in the Demerged Undertaking which are being transferred to the Resulting Company pursuant to this Scheme have not been Encumbered in respect of the transferred liabilities, such assets shall remain unencumbered and the existing Encumbrance referred to above shall not be extended to and shall not operate over such assets. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above.
- (iv) Without prejudice to the foregoing and upon the effectiveness of the Scheme, the Demerged Company and the Resulting Company shall execute any instrument/s and/or document/s and/or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies to give formal effect to the above provisions, if required.



- (v) Upon the coming into effect of this Scheme, the Resulting Company alone shall be liable to perform all obligations in respect of the transferred liabilities, which have been transferred to it in terms of this Scheme, and the Demerged Company shall not have any obligations in respect of such transferred liabilities.
- (vi) It is expressly provided that, save as mentioned in this Paragraph 3.3, no other term or condition of the liabilities transferred to the Resulting Company as part of the Scheme is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.
- (vii) Subject to the necessary consents being obtained, if required, in accordance with the terms of this Scheme, the provisions of this clause shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document, all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.

3.4 Employees

- (i) Upon the coming into effect of this Scheme, the Employees of the Demerged Undertaking shall become the employees of the Resulting Company with effect from the Appointed Date and, subject to the provisions hereof, on terms and conditions not less favourable than those on which they are engaged by the Demerged Company in relation to the Demerged Undertaking and without any interruption of or break in service as a result of the transfer of the Demerged Undertaking. For the purpose of payment of any compensation, gratuity and other terminal benefits, the immediate past services of such Employees with the Demerged Undertaking of the Demerged Company shall also be taken into account, and paid (as and when payable by the Resulting Company). The remaining employees will continue to be employees of the Demerged Company on their existing terms and conditions.
- (ii) Insofar as the existing provident fund, gratuity fund and superannuation fund, trusts, retirement fund or benefits and any other funds or benefits created by the Demerged Company (collectively referred to as the "Funds") *inter alia* for the Employees are concerned, the Funds and such investments made by the Funds which are referable to the Employees shall be transferred to the similar funds created by the Resulting Company and shall be held for their benefit pursuant to this Scheme in the manner provided hereinafter. In the event that the Resulting Company does not have its own funds in respect of any of the above, the Resulting Company may, subject to necessary approvals and permissions, continue to contribute to the relevant Funds of the Demerged Undertaking of the Demerged Company, until such time that the Resulting Company creates its own funds, at which time the funds and the investments and contributions to the Employees shall be transferred to the Funds created by the Resulting Company.

§

3.5 Legal and other Proceedings



- (i) Upon the coming into effect of this Scheme, all legal or other proceedings, (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted any time thereafter and up to Effective Date and in each case relating to the Demerged Undertaking shall be continued and enforced by or against the Resulting Company with effect from the Effective Date. Except as otherwise provided herein, the Demerged Company shall in no event be responsible or liable in relation to any such legal or other proceedings against the Resulting Company. The Resulting Company shall be replaced/ added as party to such proceedings and shall prosecute or defend such proceedings at its own cost, in co-operation with the Demerged Company.
- (ii) If any proceedings are taken against the Demerged Company in respect of the matters referred to in sub-clause (i) above, it shall defend the same in accordance with any reasonable and prudent advice provided by the Resulting Company at the cost of the Resulting Company, and the latter shall reimburse and indemnify the Demerged Company against all liabilities and obligations incurred by the Demerged Company in respect thereof.
- (iii) The Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company referred to in sub-clause (i) above transferred to its name as soon as is reasonably possible after the Effective Date and to have the same continued, prosecuted and enforced by or against the Resulting Company to the exclusion of the Demerged Company. Both companies shall make relevant applications in that behalf as may be required.

3.6 Taxes

- (i) All taxes including income tax, central sales tax, excise duty, custom duty, service tax, VAT, and the like paid or payable by the Demerged Company in respect of the operations and / or the profits of the Demerged Undertaking before the Appointed Date, shall be on account of the Demerged Company and, insofar as it relates to the tax payment (including, without limitation, income tax, sales tax, excise duty, custom duty, service tax, VAT, etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by the Demerged Company in respect of the profits or activities or operation of the Demerged Undertaking after the Appointed Date, the same shall be on account of the Resulting Company and be deemed to be the corresponding item paid by the Resulting Company and shall, in all proceedings, be dealt with accordingly.
- (ii) Without prejudice to the generality of the foregoing on and from the Appointed Date, if any certificate for tax deducted at source or any other tax credit certificate relating to the Demerged Undertaking is received in the name of the Demerged Company, it shall be deemed to have been received by the Resulting Company which alone shall be entitled to claim credit for such tax deducted or paid.
- (iii) Upon the Scheme becoming effective, the Demerged Company and the Resulting Company are expressly permitted to revise their income tax returns, services tax returns, sales tax returns, TDS returns and other tax returns, and to claim refunds and / or credits, etc. pursuant to the provisions of the Scheme.



4. Conduct of Business

- 4.1 With effect from the Appointed Date and up to the close of business hours on the Effective Date:
- (i) the Demerged Company shall continue to carry on and be deemed to have been carrying on all business and activities relating to the Demerged Undertaking and shall hold and stand possessed of and shall be deemed to hold and stand possessed of all the assets, rights, title, interest, authorities, contracts, investments and strategic decisions of the Demerged Undertaking for and on account of, and in trust for, the Resulting Company;
 - (ii) any liability paid for or settled or asset created on behalf of / for the benefit of Demerged Undertaking by the Demerged Company and vice versa, from the Appointed Date till the Effective Date, shall be treated as an intercompany balance between Demerged Company and Resulting Company upon the Scheme becoming effective; and
 - (iii) any of the rights, powers, authorities, privileges, attached, related or pertaining to the Demerged Undertaking exercised by the Demerged Company shall be deemed to have been exercised by the Demerged Company for and on behalf of, and in trust for and as an agent of the Resulting Company; and similarly, any of the obligations, duties and commitments attached, related or pertaining to the Demerged Undertaking that have been undertaken or discharged by the Demerged Company shall be deemed to have been undertaken for and on behalf of and as an agent for the Resulting Company.
- 4.2 Notwithstanding anything to the contrary set out above, the profits and losses generated by the Demerged Undertakings prior to the Effective Date shall be apportioned in the manner as set out in Paragraph 5.4(ii) below.

5. Remaining Business

- 5.1 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, subject only to provisions of this Scheme in relation to Encumbrances in favour of banks, financial institutions.
- 5.2 All legal, taxation or other proceedings (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case 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 Retained Undertaking's Business) shall be continued and enforced by or against the Demerged Company after the Effective Date. The Resulting Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceedings against the Demerged Company, which relates to the Remaining Business.
- 5.3 If proceedings are taken against the Resulting Company in respect of the matters referred to in sub-clause (i) above, it shall defend the same in accordance with the advice of the Demerged Company and at the cost of the Demerged Company and the latter shall reimburse and indemnify the Resulting Company against all liabilities



and obligations incurred by the Resulting Company in respect thereof.

5.4 With effect from the Appointed Date and up to and including the Effective Date:

- (i) the Demerged Company shall carry on and be deemed to have been carrying on all business and activities relating to the Remaining Business for and on its own behalf;
- (ii) all profits accruing to the Demerged Company thereon or losses arising or incurred by it including the effect of taxes, if any, thereon) relating to the Remaining Business and the Demerged Undertaking shall, for all purposes, be treated as the profits or losses, as the case may be, of the Demerged Company and Demerged Undertaking ;
- (iii) all assets and properties acquired by the Demerged Company in relation to the Remaining Business on and after the Appointed Date shall belong to and continue to remain vested in the Demerged Company; and
- (iv) all assets acquired and all liabilities incurred by the Demerged Company after the Appointed Date for operation of and in relation to the Demerged Undertaking shall also without any further act, instrument or deed stand transferred to and vested in or to be deemed to have been transferred to or vested in the Resulting Company upon the coming into effect of the Scheme, subject to the provisions of this Scheme in relation to Encumbrances in favour of lenders, banks and/or financial institutions.

6. Conversion of Resulting Company into a Public Company

Once the Demerged Company receives the observations from BSE on the Scheme under Regulation 37 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, and the as the Scheme gets approved by the High Court, the Resulting Company shall be converted into a Public Company and shall eventually adopt new set of Articles of Association as per the Companies Act, 2013 or as may be acceptable or approved by the BSE.

7. Reorganization of Share Capital of the Resulting Company

The Resulting Company is a wholly owned subsidiary of the Demerged Company. Upon coming into effect of this Scheme, the entire issued, subscribed and paid up share capital of Rs.1,00,000/- of the Resulting Company shall be cancelled, and shareholders holding 10,000 Equity Shares of ₹ 10/- each of the Resulting Company on the Effective Date shall not be issued or allotted any new shares by the Resulting company or by the Demerged Company against such shares upon such cancellation.

The aforesaid cancellation of the entire paid up share capital of the Resulting Company forms an integral part of this Scheme; and under the accepted principle of single window clearances. The approval accorded by the Equity Shareholders of the Resulting Company, at the court convened meeting for approving this Scheme, shall be deemed to be the approval envisaged under the provisions of Section 100 and all other applicable provisions of the Act and no separate procedure shall be required to be followed for the said purpose. The Order of the Hon'ble High Court sanctioning this Scheme shall be deemed to be an Order under Section 102 of the Act. In view of the same, the Resulting Company shall not be required to separately comply with Section 100 or any other provisions of the Act and shall not be required to add "And Reduced" after its name.



8. Consideration

8.1 The provisions of this clause of the Scheme shall operate notwithstanding anything to the contrary in this Scheme or in any other instrument, deed or writing.

8.2 Upon the effectiveness of the Scheme, in consideration of the Demerger, including the transfer and vesting of the Demerged Undertaking in the Resulting Company pursuant to this Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each member of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record Date, equity shares in the Resulting Company in the ratio of 1:50 i.e. 1 equity share of CMPL of Rs.10/- each fully paid up for every 50 equity shares of CTEIL of Re1/- each fully paid up (prior to consolidation of equity shares of demerged company) or 1:5 i.e. 1 equity share of CMPL of Rs. 10/- each fully paid up for every 5 equity shares of CTEIL of Rs. 10 each fully paid up (post consolidation of equity shares of demerged company) (the "Share Entitlement Ratio").

Please Note: The Share entitlement Ratio is provided in two different equations because the Demerged Company proposes to consolidate its share capital from 10 paid up equity shares of Re. 1/- each to 1 paid up equity share capital of Rs. 10/- each at the Annual General Meeting to be held on 30th September, 2016

8.3 The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank *paripassu* in all respects with the existing equity shares of the Resulting Company.

8.4 The Equity shares to be issued and allotted in terms hereof will be subject to the terms and conditions set out in the Memorandum and Articles of Association of the Resulting Company.

8.5 The Resulting Company shall, if and to the extent required, apply for and obtain any approvals from concerned regulatory authorities for the issue and allotment of Equity Shares to the members of the Demerged Company under the Scheme.

8.6 The shares shall be issued to the members of the Demerged Company in dematerialized form and physical form depending on the form of shares held by the shareholders of the Demerged Company on the Appointed Date by the Resulting Company.

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

8.8 The issue and allotment of new equity shares by the Resulting Company to the shareholders of the Demerged Company is an integral part of this Scheme and shall be deemed to have been carried out without any further act or deed and the approval of the shareholders of the Resulting Company to the Scheme shall be deemed to be due compliance of the provisions of Sections 42 and 52 and other relevant or applicable provisions of the Act, 2013.

8.9 Unless otherwise determined by the Board of Directors or any committee thereof of the Demerged Company and the Resulting Company, allotment of shares shall be done within 60 days from the Effective Date.



- 8.10 The Resulting Company after the demerger shall get converted from private limited company to public limited and going further will list their shares in the BSE Limited.

PART III – ACCOUNTING TREATMENT

9. General terms and conditions

7.1 Accounting treatment in the books of CTEIL

- (i) The assets and the liabilities of the Demerged Company relating to the Demerged Undertaking being transferred to the Resulting Company shall be at values appearing in the books of account of the Demerged Company as on the Appointed Date.
- (ii) The differences between the value of assets and value of liabilities transferred pursuant to the Scheme, if positive, shall be adjusted first against the general reserve to the extent available and balance against profit & loss account balance and if negative, shall be credited to capital reserve account.

7.2 Accounting Treatment in the books of -CMPL

- (i) All the assets and liabilities related to the Demerged Undertaking as appearing in the books of accounts of the Demerged Company as on the Appointed Date shall stand transferred to and vested in the Resulting Company pursuant to the Scheme and shall be recorded by the Resulting Company at their book values as appearing in the books of the Demerged Company as on the Appointed Date;
- (ii) The Resulting Company shall credit its share capital account with the aggregate face value of the new equity shares issued to the shareholders of the Demerged Company.
- (iii) The inter-se loans and advances, if any, between the Resulting Company and the Demerged Company in relation to the Demerged Undertaking appearing in the books of accounts of the respective companies shall stand cancelled.
- (iv) The excess or deficit, if any, remaining after recording the aforesaid entries and the costs in relation to transfer of assets pertaining to the Demerged Undertaking to the Resulting Company such as stamp duty, registration charges, etc. and other entries in accordance with the Scheme, shall be credited by the Resulting Company to capital reserve account or debited to goodwill, as the case may be.
- (v) In case of any difference in accounting policy between the Demerged Company and the Resulting Company, the impact of the same till the arrangement takes effect will be quantified and adjusted in the capital reserve of the Resulting Company to ensure that the financial statements of the Resulting Company reflect the financial position on the basis of consistent accounting policy.
- (vi) Notwithstanding the above, the Demerged Company and the Resulting Company, in consultation with their Statutory Auditors, are authorized to account for this Scheme and effect thereof in any manner whatsoever as may be deemed fit.



PART IV - OTHER TERMS AND CONDITIONS

10. Profits, Dividend, Bonus / Right / Preferential Allotment of Shares / Warrants

The Demerged Company may before the Effective Date make any change in the capital structure either by any increase, (by issue of shares on rights basis or preferential basis, issue of convertible instruments or otherwise) decrease, reduction, reclassification, consolidation, sub-division or in any other manner with the consent of the Board of Directors of the Demerged Company and on the terms and conditions as they may decide and such changes in Capital Structure will not in any way affect or change the Share Entitlement Ratio provided in this Scheme, unless otherwise agreed between the Demerged Company and the Resulting Company.

11. Addition / Change of Object Clause

- (i) In order to carry on the activities currently being carried on by the Demerged Company, upon the approval of the Scheme by the members of the Demerged Company and the members of the Resulting Company pursuant to Section 391 of the Companies Act, 1956 it shall be deemed that the members of the Resulting Company have also resolved and accorded all relevant consents under various provisions of the Act 2013 for the commencement of any business or activities currently being carried on by the Demerged Company, to the extent the same may be considered applicable.
- (ii) It is further clarified that the Resulting Company shall not be required to pass any resolution under sections 13 and other applicable provisions, if any of the Act 2013 for change in object clause of the Memorandum of Association of the Resulting Company, as envisaged above and that the members of the Resulting Company shall be deemed to have accorded their consent under various provisions of the Act and rules made there under to the change in object clause in terms of this Scheme.

12. Applications

The Demerged Company and Resulting Company shall make necessary applications before the High Court of Judicature at Bombay for the sanction of this Scheme of Arrangement under Sections 391 to 394 of the Act. Any further approval under the Act arising from the Scheme shall be deemed to have been granted, without any application, for any transaction among the Demerged Company and the Resulting Company and/or its Directors.

13. Conditionality of the Scheme

13.1. This Scheme is conditional upon and subject to:

- (i) the Scheme being agreed to by the respective requisite majorities of the various classes of members and creditors of the Demerged Company and the Resulting Company as required under the Act and the requisite order of the Hon'ble High Court of Bombay being obtained;
- (ii) such other sanctions and approvals as may be required by law in respect of this Scheme being obtained; and



- (iii) the certified copies of the court orders referred to in this Scheme being filed with the Registrar of Companies.

13.2. Effect of Non-Receipt of Approvals/Sanctions

In the event of this Scheme failing to take effect by December 31, 2017 or such later date as may be agreed by the respective Boards of Directors, this Scheme shall stand revoked, cancelled and be of no effect and become null and void, and in that event, no rights and liabilities shall accrue to or be incurred inter se between the parties or their shareholders or creditors or employees or any other person. In such case, the Demerged Company and the Resulting Company shall bear its own costs and expenses or as may be otherwise mutually agreed.

14. Modifications of Scheme

- 14.1. The Demerged Company and the Resulting Company, acting jointly and through their respective Boards of Directors may consent on behalf of all persons concerned to any modifications or amendments of this Scheme or to any conditions which the High Court and/or any other authorities under law may deem fit to approve of or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for carrying out the Scheme and do all acts, deeds and things as may be necessary, desirable or expedient for putting this Scheme into effect.
- 14.2. However no modifications and / or amendments to the Scheme can be carried out or effected by the Board of Directors without approval of the High Court and the same shall be subject to powers of the High Court under Section 392 of the Act.
- 14.3. For the purpose of giving effect to this Scheme or to any modifications thereof, the directors of the Demerged Company and the Resulting Company are authorized to give such directions and/or to take such steps as may be necessary or desirable including any directions for settling any question or doubt or difficulty whatsoever that may arise.
- 14.4. The Demerged Company and Resulting Company shall take such other steps as may be necessary or expedient to give full and formal effect to the provisions of this Scheme.

15. Severability

If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Demerged Company and the Resulting Company, affect the validity or implementation of the other parts and/or provisions of this Scheme.

16. Costs

- 16.1. The Demerged Company and the Resulting Company shall bear their respective costs, charges taxes, levies and other expenses until the date of sanction of this Scheme by the High Court at Bombay;
- 16.2. Upon the sanction of this Scheme by the High Courts, all costs (including but not limited to stamp duty, registration charges, etc.) in relation to the Demerger shall be borne by the Resulting Company. Income tax liabilities, if any, in relation to the Demerger shall be borne by the [Demerged Company].
- 16.3. In the event that this Scheme fails to take effect within such period or periods as may be



decided by the Demerged Company and the Resulting Company (by its Directors) or the scheme is rendered null and void in terms of clause [*] of this Scheme then, the Demerged Company and the Resulting Company shall bear their own costs and expenses incurred by them, in relation to or in connection with the Scheme.

17. Miscellaneous

- 17.1. The demerger under this Scheme will be effected under the provisions of Sections 391 to 394 and other relevant provisions of the Companies Act, 1956. The demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company shall be in compliance with the provisions of Section 2(19AA) of the Income Tax Act, 1961, such that:
- (i) all the properties of the Demerged Undertaking, being transferred by the Demerged Company, immediately before the Demerger shall become the properties of the Resulting Company by virtue of such Demerger;
 - (ii) all the liabilities relatable to the Demerged Undertaking, being transferred by the Demerged Company, immediately before the Demerger shall become the liabilities of the Resulting Company by virtue of such Demerger;
 - (iii) the properties and the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company at the values appearing in the books of account of the Demerged Company immediately before the Demerger;
 - (iv) the Resulting Company shall issue, in consideration of the Demerger, shares to the shareholders of the Demerged Company on a proportionate basis;
 - (v) all shareholders of the Demerged Company shall become the shareholders of the Resulting Company by virtue of the Demerger; and
 - (vi) the transfer of the Demerged Undertaking shall be on a going concern basis.
- 17.2. This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under the tax laws, including section 2(19AA) 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 will however, not affect other parts of the Scheme. The power to make such amendments as may become necessary shall vest with the Board of Directors of the Demerged Company and Resulting Company which power shall be exercised reasonably in the best interests of the companies and its stakeholders.
- 17.3. Upon the Scheme becoming effective, the Demerged Company and Resulting Company are also expressly permitted to revise income tax returns, service tax returns, sales tax returns and other tax returns and to claim refunds and / or credits etc. pertaining to the Remaining Business and Demerged Undertaking, respectively, pursuant to the provisions of the Scheme.



Schedule 1

(Assets and liabilities which shall vest with the Resulting Company pursuant to the Demerger)

Particulars	Amount (in Rupees)
ASSETS	
Non-Current Assets	
Fixed Assets	
Tangible Assets	1,02,117
Other Non-Current Assets	
Inventories	5,14,00,589
Trade Receivables	2,90,676
Cash & Cash Equivalents	89,992
Short-Term Loans & Advances	
Balances with Govt. Authorities	1,23,365
Deposits	2,25,000
Others	31,85,88,950
Other Current Assets	
Claims & other receivables	1,020
TOTAL	37,08,21,709
LIABILITIES	
Current Liabilities	
Trade Payables	12,56,264
Other Payables	7,482
Advances from Customers	33,32,80,692
TOTAL	33,45,44,438



Schedule 2

[List of trademarks, copyrights, designs and all Intellectual Property, if any which shall vest with the Resulting Company pursuant to demerger to be listed here]

No Intellectual Property Rights are being vested by the Demerged Undertaking of the Demerged Company to the Resulting Company pursuant to demerger.



Schedule 3

[List of licenses, contracts, registrations which shall vest with the Resulting Company pursuant to demerger to be listed here]

REGISTRATIONS -

Excise Registration Daman

- (i) Central Excise Registration Certificate vide Number AAACC1754GED005 in the name of M/s Chandni Textiles Engineering Industries Limited registered for Operating as a Dealer of Excisable Goods at Veera Ka Dhaba Godown, Survey No. 38/6, 39/6, 39/7, Near I.P.C.L Godown, Varkund, Nani – Daman, Daman & Diu
- (ii) Central Excise Registration Certificate vide Number AAACC1754GEI006 in the name of M/s Chandni Textiles Engineering Industries Limited registered for Operating as a Importer of Excisable Goods at House No. 4/A-10, Survey No. 747 & 748, Somnath Kunta Road, Kalaria, Dhabel, Daman, Daman and Diu.

Sales Tax Registration Daman

- (i) Sales Tax Registration Certificate vide TIN No. 25000001185 under the name Chandni Textiles Engineering Industries Limited registered as dealer under section 13 of Goa, Daman & Diu Sales Tax) Act, 1964 with effect from April 13, 2010
- (ii) Central Sales Tax (Registration & Turnover) Certificate vide DA/(CST)/ 745 under the name Chandni Textiles Engineering Industries Limited registered as dealer under section 7(2) of the central Sales Tax Act, 1956 with effect from April 13, 2010

CONTRACTS -

Badve Engineering – Contract for supplying 61 Injection Molding Machines along with accessories, parts, components and consumables against P.O. no. 4300009895 & P.O. No. 4300009896 dated October 28, 2015. 5 Injection Molding Machines out of 61 have been already supplied to Badve Engineering.

M Plast – Contract to supply 1 Injection Molding Machines against P.I. No. 008/16-17 dated July 21, 2016.



Schedule 4

(loans, debts, liabilities, duties and obligations of the Demerged Undertaking)

LOANS – The Demerged Undertaking has no Loans till date.

OBLIGATIONS -

Cases filed against erstwhile promoter group companies namely M/s Prerna Textile Industries Private Limited ("Prerna"), M/s Zarnna Spinners Private Limited ("Zarnna") and M/s Sidhaant Velvet Pvt. Ltd. ("Sidhaant") now amalgamated with Chandni Textiles Engineering Industries Limited and to be vested with Demerged Undertaking post scheme of demerger:-

Sr. No	Nature of case	Status of case	Amount involved
1	Umga Gears Private Limited (Plaintiff) claims that amounts are due from Prerna for the goods delivered to it against a purchase order placed for the goods.	Prerna has been granted leave to defend the suit (Suit no. 513/1991) pursuant to the order dated April 20, 1992 of the Hon'ble High Court, at Bombay. The Bombay City Civil Court dismissed the suit on 12-2-2016 for want of prosecution. The Plaintiff has moved a notice of motion no. 863 of 2016 for setting aside the order of dismissal and restoration of the suit.(short Cause suit No. 1816 of 1991. The defendants have filed affidavit in reply to the Notice of Motion The NM is pending for hearing on 10-6-2016	Rs. 1.72 lakh
2	Shri. Bipin Kantibhai Patel, Proprietor of M/s Rajesh Enterprise (Plaintiff) has claimed the purchase price of the textile machinery spare parts allegedly supplied by the Plaintiff to Prerna.	Prerna has been granted conditional leave to defend the suit (suit no. 5747/1998) pursuant to the order of the Hon'ble City Civil Court dated August 24, 2000. BY an order dated 5/11/2015, the suit being a money suit for recovery of less than rs.10,00,000/-, the suit is transferred to Small Cause Court Ahmedabad. The matter is pending for hearing and final disposal.	Rs. 1.82 lakh
3	Sagar Agency Private Limited (Plaintiff) claims that commission at the rate of 3.5 % on the invoice value is due from Prerna in respect of marketing Prerna's textile machinery.	Prerna has been granted leave to defend the suit (suit no. 5789/1998) pursuant to the order of the Hon'ble City Civil Court dated August 24, 2000. By an order dated 10/12/2014 on chamber summons taken out by Plaintiff, the suit is ordered to be expedited on grounds that plaintiff is senior citizen. The suit is pending for hearing and final disposal.	Rs. 20.86 lakhs

