

SCHEME OF ARRANGEMENT OF KUMAR METALS PVT LTD AND ECE INDUSTRIES LTD;

AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS UNDER SECTIONS 230, 232 & 66 OF THE COMPANIES ACT, 2013, AND OTHER APPLICABLE PROVISIONS, IF ANY

Preamble

This Scheme of Arrangement is framed in terms of the provisions of sections 230, 232 and 66 of the Companies Act, 2013, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, together with sections 2(1B), of the Income Tax Act, 1961, and other applicable provisions, if any.

The Scheme of Arrangement provides for:

- a. Amalgamation of Kumar Metals Pvt Ltd with ECE Industries Ltd;
- b. Re-organisation of Capital of ECE Industries Ltd, on voluntary basis; and
- c. Other matters connected with the aforesaid Amalgamation and Re-organisation of Capital.

1.1 DEFINITIONS

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

- i. **"Act"** means the Companies Act, 2013 (18 of 2013), the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, the National Company Law Tribunal Rules, 2016, and other applicable Rules made there under and includes any amendments, statutory re-enactments and modifications thereof for the time being in force; and the Companies Act, 1956 (1 of 1956), to the extent applicable, if any.
- ii. **"Amalgamation"** means amalgamation of the Transferor Company with and into the Transferee Company in terms of the Scheme in its present form or with any modification(s) as approved by the Hon'ble National Company Law Tribunal or any other competent authority, as the case may be.
- iii. **"Applicable Law(s)"** means any relevant statute, notification, by-laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, schemes, notices, treaties, judgement, decree, approvals, orders or instructions enacted or issued or sanctioned by any Governmental and Registration Authority, having the force of law and as applicable to Companies;
- iv. **"Appointed Date"** for the purpose of this Scheme means commencement of business on 1st January, 2020, or such other date as the Hon'ble National Company Law Tribunal or any other competent authority may approve.
- v. **"Board" or "Board of Directors"** means the Board of Directors of the respective Transferor and Transferee Companies, as the case

may be, and shall, unless it is repugnant to the context or otherwise, include Committee(s) so authorised by the Board of Directors, or any person authorised by the Board of Directors or such Committee(s).

- vi. "Effective Date"** means last of the dates on which the certified copies of the Order(s) passed by the Hon'ble National Company Law Tribunal, sanctioning the Scheme of Arrangement, are filed with the concerned Registrar of Companies, Ministry of Corporate Affairs.
- vii. "Encumbrance"** means (a) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any person, including any right granted by a transaction which in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under Applicable Laws; (b) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, refusal or transfer restriction in favour of any person; and (iii) any adverse claim as to title, possession or use.
- viii. "FEMA"** means the Foreign Exchange Management Act, 1999 along with the rules and regulations made there under and shall include any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force.
- ix. "Intellectual Property Rights"** means, whether registered or not, in the name of or recognized under Applicable Laws as being intellectual property of the Transferor Company, or in the nature of common law rights of the Transferor Company, all domestic and foreign (a) trademarks, service marks, brand names, internet domain names, websites, online web portals, trade names, logos, uniforms and all applications and registration for the foregoing and all goodwill associated with the foregoing and symbolized by the foregoing; (b) confidential and proprietary information and trade secrets; (c) published and unpublished works of authorship and copyrights therein, and registrations and applications therefor, and all renewals, extensions, restorations and reversions thereof; (d) computer software, programs (including source code, object code, firmware, operating systems and specifications) and processes; (e) designs, drawings, sketches; (f) tools, databases, frameworks, customer data, proprietary information, knowledge, any other technology or know-how, licenses, software licenses and formulas; (g) ideas and all other intellectual property or proprietary rights; and (h) all rights in all of the foregoing provided by Applicable Laws.
- x. "IT Act"** means the Income Tax Act, 1961, and the rules made there under and shall include any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force.
- xi. National Company Law Tribunal** means appropriate Bench/Benches of the Hon'ble National Company Law Tribunal constituted under the Companies Act, 2013, or such other court, tribunal, forum or authority having jurisdiction to sanction the present Scheme and other connected matters. The National Company Law Tribunal has been referred to as the Tribunal/NCLT.

- xii. "Record Date"** means the date to be fixed by the Board of Directors of the Transferee Company, with reference to which status of the shareholders of the Transferee Company shall be determined for re-organisation of share capital of the Transferee Company in terms of this Scheme; and other connected matters, if any.
- xiii. "Registrar of Companies"** means concerned Registrar(s) of Companies, Ministry of Corporate Affairs having jurisdiction under the Companies Act, 2013, and other applicable provisions, if any, on the respective Companies.
- xiv. "Scheme"** means the present Scheme of Arrangement framed under the provisions of sections 230, 232 & 66 of the Companies Act, 2013, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, the Income Tax Act, 1961, and other applicable provisions, if any, where under (a) Kumar Metals Pvt Ltd is proposed to be amalgamated with ECE Industries Ltd; and (b) Share Capital of ECE Industries Ltd is proposed to be re-organised (on voluntary basis), in the present form or with any modification(s) approved or imposed or directed by Members/Creditors of these Companies and/or by any competent authority and/or by the Hon'ble National Company Law Tribunal or that may otherwise be deemed fit by these Companies.
- xv. "Transferor Company"** means **Kumar Metals Pvt Ltd** being a company incorporated under the provisions of the Companies Act, 1956, and having its registered office at 15, India Exchange Place, 3rd floor, Kolkata-700 001, West Bengal; e-mail: kumarmetal35@gmail.com.

The Transferor Company-Kumar Metals Pvt Ltd [Corporate Identification No. (CIN): U 36911 WB 1973 PTC 028719; Income Tax Permanent Account No. (PAN): AAB CK 3026 C] (hereinafter referred to as "the Transferor Company/the Company") was originally incorporated under the provisions of the Companies Act, 1956, as a private limited company vide Certificate of Incorporation dated 5th March, 1973, issued by the Registrar of Companies, West Bengal, Kolkata.

- xvi. "Transferee Company"** means **ECE Industries Ltd** being a company incorporated under the provisions of the Companies Act, 1913, and having its registered office at ECE House, 28-A, Kasturba Gandhi Marg, New Delhi- 110 001; e-mail: ecehodelhi@gmail.com.

The Transferee Company-ECE Industries Ltd [Corporate Identification No. (CIN): L 31500 DL 1945 PLC 008279; Income Tax Permanent Account No. (PAN): AAA CE 1936 C] (hereinafter referred to as "the Transferee Company/the Company") was originally incorporated under the provisions of the Companies Act, 1913, as a public limited company with the name and style as 'Electric Construction and Equipment Ltd' vide Certificate of Incorporation dated 13th June, 1945, issued by the Assistant Registrar of Joint Stock Companies, Bengal, Calcutta. The Company was issued Certificate for Commencement of Business dated 30th July, 1945 by the Registrar of Joint Stock Companies, Bengal, Calcutta. Registered Office of the Company was shifted from the State of West Bengal to

the NCT of Delhi as approved by the Hon'ble Company Law Board, Eastern Region Bench, Calcutta, vide Order dated 17th May, 1976. The Registrar of Companies, New Delhi, registered the aforesaid order and allotted a new CIN to the Company. Name of the Company was changed to its present name 'ECE Industries Ltd' vide Fresh Certificate of Incorporation dated 5th June, 1987, issued by the Registrar of Companies, Delhi and Haryana, New Delhi.

Initially, the Transferee Company-ECE Industries Ltd was listed on the BSE Ltd (Bombay Stock Exchange/BSE) and the National Stock Exchange of India Ltd (National Stock Exchange/NSE). It was delisted from BSE in the year 2015. However, it remained listed on NSE. Subsequently, the Promoters of the Transferee Company had proposed for complete delisting of the Company and accordingly had provided an exit opportunity ("Delisting Offer") to the Public Shareholders of the Company in terms of the provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ("the Delisting Regulations") and other applicable provisions, if any.

The Final Exit Price, in respect of the Delisting Offer of the Company was finalized at ₹233.66 per Equity Share. Accordingly, all the Public Shareholders of the Company who had successfully tendered their Equity Shares during the Bid Period, were paid the consideration at the Exit Price. After the acquisition of the Equity Shares pursuant to the Delisting Offer, the Promoters and Promoters' Group holding in the Company increased beyond 90% of the total paid-up Equity Share Capital of the Transferee Company.

The Company had thereafter applied for delisting of its Equity Shares from the NSE, the only stock exchange where its Equity Shares were listed. Consequent to the same, the Transferee Company got delisted from NSE with effect from 17th May, 2019. Presently, the Transferee Company is an un-listed public limited company.

In terms of the provisions of the Delisting Regulations, the Public Shareholders of the Transferee Company who have not tendered their shares for purchase by the Promoters, are entitled to do so at any time during the period of one year from the date of delisting of Equity Shares of the Company from NSE, i.e., from 17th May, 2019 to 16th May, 2020 ("the Exit Period") at the Exit Price of ₹233.66 per Equity Share.

1.2 INTERPRETATION

Terms and expressions which are used in this Scheme but not defined herein shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, and if not defined therein then under the relevant Applicable Laws. In this Scheme, unless the context otherwise requires:

- a.** references to "persons" shall include individuals, bodies corporate (wherever incorporated), un-incorporated entities, associations, partnerships and proprietorship;

- b.** heading, sub-heading and bold typeface are only for convenience and shall not affect the construction or interpretation of this Scheme;
- c.** the term "Clause" refers to the specified clause of this Scheme;
- d.** references to one gender includes all genders;
- e.** any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- f.** words denoting singular shall include the plural and vice versa;
- g.** reference to any legislation, statute, regulation, rule, notification or any other provision of law means and includes references to such legal provisions as amended, supplemented or re-enacted from time to time, and any reference to a legal provision shall include any subordinate legislation made from time to time under such a statutory provision.
- h.** unless otherwise defined, the reference to the word "days" shall mean calendar days; and
- i.** references to dates and times shall be construed to be references to Indian dates and times.

1.3 SHARE CAPITAL

- i.** The present Authorised Share Capital of the Transferor Company is ₹5,00,000 divided into 5000 Equity Shares of ₹100 each. The present Issued, Subscribed and Paid-up Share Capital of the Company is ₹1,00,000 divided into 1000 Equity Shares of ₹100 each.
- ii.** The present Authorised Share Capital of the Transferee Company is ₹15,00,00,000 divided into 1,45,00,000 Equity Shares of ₹10 each aggregating to ₹14,50,00,000; and 50,000 Preference Shares of ₹100 each aggregating to ₹50,00,000. The present Issued and Subscribed Share Capital of the Company is ₹7,33,39,000 divided into 73,33,875 Equity Shares of ₹10 each. The present Paid-up Share Capital of the Company is ₹7,29,03,100 divided into 72,88,645 Equity Shares of ₹10 each aggregating ₹7,28,86,450 and ₹16,650 being amount paid on the forfeited shares.
- iii.** The Transferor Company is a Wholly Owned Subsidiary of the Transferee Company. Entire Share Capital of the Transferor Company is held by the Transferee Company and its nominee shareholders. The Transferee Company is an un-listed public limited company. Both the Companies are under common management and control.

1.4 RATIONALE AND BENEFITS OF THE SCHEME

The circumstances which justify and/or necessitate the proposed Scheme of Arrangement of Kumar Metals Pvt Ltd and ECE Industries Ltd are, inter alia, as follows:

1.4.1 Amalgamation of Kumar Metals Pvt Ltd with ECE Industries Ltd

- a.** The Transferor Company is a Wholly Owned Subsidiary of the Transferee Company. The proposed Amalgamation would result in consolidation of the Wholly Owned Subsidiary with its Parent/Holding Company.
- b.** Both the Transferor and Transferee Companies are under same management and it would be advantageous to us to combine the activities and operations in a single Company and building strong capability to effectively meet future challenges in competitive business environment;
- c.** The proposed Amalgamation would result in business synergy, pooling of physical, financial and human resource of these Companies for the most beneficial utilization of these factors in the combined entity.
- d.** The proposed Amalgamation will result in usual economies of a centralized and a large company including elimination of duplicate work, reduction in overheads, better and more productive utilization of financial, human and other resource and enhancement of overall business efficiency. The proposed Scheme will enable these Companies to combine their managerial and operating strength, to build a wider capital and financial base and to promote and secure overall growth.
- e.** The amalgamation will result in significant reduction in multiplicity of legal and regulatory compliances which at present is required to be made separately by the Transferee Company as well as by the Transferor Company.
- f.** The proposed amalgamation would enhance the shareholders' value of the Transferor and the Transferee Companies.
- g.** The proposed Amalgamation will have beneficial impact on the Transferor and the Transferee Companies, their shareholders, employees and other stakeholders and all concerned.

1.4.2 Re-organisation of Capital of ECE Industries Ltd, on voluntary basis

- i.** Initially, the Transferee Company-ECE Industries Ltd was listed on the BSE Ltd (Bombay Stock Exchange/BSE) and the National Stock Exchange of India Ltd (National Stock Exchange/NSE). It was delisted from BSE in the year 2015. However, it remained listed on NSE. Subsequently, the Promoters of the Transferee Company had proposed for complete delisting of the Company and accordingly had provided an exit opportunity ("Delisting Offer") to the Public Shareholders of the Company in terms of the provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ("the Delisting Regulations") and other applicable provisions, if any.

The Final Exit Price, in respect of the Delisting Offer of the Company was finalized at ₹233.66 per Equity Share. Accordingly, all the Public Shareholders of the Company who had successfully tendered their Equity Shares during the Bid Period, were paid the consideration at the Exit Price. After the acquisition of the Equity Shares pursuant to the Delisting Offer, the Promoters and Promoters' Group holding in the Company increased beyond 90% of the total paid-up Equity Share Capital of the Transferee Company.

The Company had thereafter applied for delisting of its Equity Shares from the NSE, the only stock exchange where its Equity Shares were listed. Consequent to the same, the Transferee Company got delisted from NSE with effect from 17th May, 2019. Presently, the Transferee Company is an unlisted public limited company.

In terms of the provisions of the Delisting Regulations, the Public Shareholders of the Transferee Company who have not tendered their shares for purchase by the Promoters, are entitled to do so at any time during the period of one year from the date of delisting of Equity Shares of the Company from NSE, i.e., from 17th May, 2019 to 16th May, 2020 ("the Exit Period") at the Exit Price of ₹233.66 per Equity Share.

- ii.** Post delisting, the Transferee Company-ECE Industries Ltd has a large number of public shareholders. However, there has not been much liquidity in the shares held by the Public Shareholders of the Transferee Company. After the expiry of the statutory one year of extended exit window available the Public Shareholders, there will not be much opportunity for the public shareholders to sell/transfer their shares in the Company.
- iii.** In order to provide further opportunity to the Public Shareholders of the Transferee Company, it is proposed to re-organise the equity share capital of the Transferee Company, by cancelling up to 6,13,872 Equity Shares of ₹10 each held by the Public Shareholders, on voluntary basis; and to issue equivalent number of 9% non-cumulative Compulsorily Redeemable Preference Shares in place of the such cancelled Equity Shares.

It is clarified that a Public Shareholder is entitled to retain his/her/its equity shareholding in the Transferee Company by giving a notice of such intention to the Transferee Company any time up to the Record Date to be fixed for such purpose. In all the cases where the Transferee Company receives intimation from the Public Shareholders to retain their equity shareholding in the Transferee Company, equity shares with respect to all such shareholders will not be cancelled and will not be replaced with 9% non-cumulative Compulsorily Redeemable Preference Shares.

- iv.** The proposed re-organisation will provide a permanent liquidity option for illiquid shares of the Company. It will help the non-promoter shareholders in realising the true potential

of their investments in the Transferee Company which can be gainfully deployed elsewhere.

- v.** It is clarified that the aforesaid re-organisation of Share Capital would not involve either the diminution of any liability in respect of un-paid share capital or payment to any shareholder of any paid-up share capital. The Company is not proposing any buy-back of shares from its shareholders.
- vi.** It is further clarified that no creditor of the Transferee Company will be adversely affected by the proposed re-organisation of share capital. Compulsorily Redeemable Preference Shares to be issued in terms of this Scheme, shall be redeemed in accordance with the provisions of the Companies Act, 2013, relating to the redemption of preference shares. Hence, such redemption of Preference Shares will not be deemed to be a reduction of capital of the Transferee Company.
- vii.** The proposed Scheme would enhance the shareholders' value of the Transferor Company and the Transferee Company.

1.4.3 The Scheme of Arrangement is proposed for the aforesaid reasons. The Board of Directors and Management of the Transferor Company and the Transferee Company is of the opinion that the proposed Scheme is in the best interest of these Companies, their Shareholders and other stakeholders.

2. TRANSFER AND VESTING OF UNDERTAKING

- a.** With effect from the commencement of business on 1st January, 2020, i.e., the Appointed Date, subject to the provisions of the Scheme in relation to the modalities of transfer and vesting, the undertaking and entire business and all immovable properties (including agricultural land, industrial land, residential land and all other land and plots) where so ever situated and incapable of passing by physical delivery as also all other assets, capital work-in-progress, current assets, investments, deposits, bookings and advances against residential and commercial plots and buildings, powers, authorities, awards, allotments, approvals and consents, licenses, registrations, contracts, agreements, engagements, arrangement, rights, intellectual property rights, titles, interests, benefits and advantages of whatsoever nature belonging to or in the ownership, power, possession, control of or vested in or granted in favour of or enjoyed by the Transferor Company, including but without being limited to, benefit of all agreements and all other interests arising to the Transferor Company (hereinafter collectively referred to as "the said assets") shall, without any further act or deed or without payment of any duty or other charges, be transferred to and vested in the Transferee Company pursuant to the provisions of Section 232 of the Act, for all the estate, right, title and interest of the Transferor Company therein so as to become the property of the Transferee Company but, subject to mortgages, charges and encumbrances, if any, then affecting the undertaking of the Transferor Company without such charges in any way extending to the undertaking of the Transferee Company.

- b.** Notwithstanding what is provided herein above, it is expressly provided that in respect to such of the said assets as are movable in nature or are otherwise capable of being transferred by physical delivery or by endorsement and delivery, the same shall be so transferred, with effect from the appointed date, by the Transferor Company to the Transferee Company after the Scheme is duly sanctioned and given effect to without requiring any order of the Tribunal or any deed or instrument of conveyance for the same or without the payment of any duty or other charges and shall become the property of the Transferee Company accordingly.
- c.** On and from the Appointed Date, all liabilities, provisions, duties and obligations including Income Tax and other statutory liabilities, if any, of every kind, nature and description of the Transferor Company whether provided for in the books of accounts of the Transferor Company or not, shall devolve and shall stand transferred or be deemed to be transferred without any further act or deed, to the Transferee Company with effect from the Appointed Date and shall be the liabilities, provisions, duties and obligations of the Transferee Company.
- d.** Similarly, on and from the Appointed Date, all the taxes and duties including advance tax, tax deducted at source, tax collected at source, minimum alternative tax (MAT), self-assessment tax, Goods and Services Tax (GST), etc., paid by or on behalf of the Transferor Company immediately before the amalgamation, shall become or be deemed to be the property of the Transferee Company by virtue of the amalgamation. Upon the Scheme becoming effective, all the taxes and duties paid (including TDS, MAT and GST, etc.) by or on behalf of the Transferor Company from the Appointed Date, regardless of the period to which these payments relate, shall be deemed to have been paid for and on behalf of and to the credit of the Transferee Company as effectively as if the Transferee Company had paid the same.
- e.** Upon the Scheme becoming effective, all un-availed credits and exemptions, statutory benefits, including in respect of Income Tax (including MAT credit), CENVAT, Customs, VAT, Sales Tax, Service Tax, Goods and Services Tax, etc., of the Transferor Company, shall be available to and vest in the Transferee Company, without any further act or deed.
- f.** Without prejudice to the generality of the provisions contained in aforesaid clauses, upon the Scheme becoming effective, requisite form(s) will be filed with the Registrar of Companies for creation, modification and/or satisfaction of charge(s), to the extent required, to give effect to the provisions of this Scheme.
- g.** On the Scheme becoming effective, the Transferee Company shall be entitled to file/revise income tax returns, TDS returns, GST returns, and other statutory filings and returns, filed by it or by the Transferor Company, if required, and to take all such steps that may be required to give effect to the provisions of this Scheme and/or required to claim refunds, depreciation benefits, advance tax credits, un-availed credits and exemptions, statutory benefits, etc., if any.
- h.** With effect from the Effective Date and until such time names of the bank accounts of the Transferor Company are replaced with that of

the Transferee Company, the Transferee Company shall be entitled to operate the existing bank accounts of the Transferor Company, in so far, as may be necessary. The banks shall also honor cheques or other bills issued in the name of the Transferor Company on and from the Effective Date. Further, the Transferee Company, if so required, shall also be entitled to maintain one Bank Account in the name of the Transferor Company to enable it to deposit/encash any refund or other payment received in the name of the Transferor Company. All such deposits will, then, be transferred to the bank account of the Transferee Company. It may, however, be clarified that such bank account (in the name of the Transferor Company) will be used only for the limited purpose of depositing/encashing any refund or other payments received in the name/in favour of the Transferor Company. Such bank account will not be used for normal banking transactions.

- i. All other assets & liabilities of the Transferor Company, which may not be specifically covered in the aforesaid clauses, shall also stand transferred to the Transferee Company with effect from the Appointed Date.

3. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

- a. Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments of whatsoever nature, to which the Transferor Company is a party, subsisting or having effect immediately before or after the Effective date, shall remain in full force and effect against or in favour of the Transferee Company and may be enforced as fully and effectually, as if instead of the Transferor Company, the Transferee Company had been a party thereto.
- b. The transfer of the said assets and liabilities of the Transferor Company to the Transferee Company and the continuance of all the contracts or legal proceedings by or against the Transferee Company shall not affect any contract or proceedings relating to the said assets or the liabilities already concluded by the Transferor Company on or after the Appointed Date.
- c. The Transferee Company may, at any time after coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds of confirmation in favour of the secured creditors of the Transferor Company or in favour of any other party to any contract or arrangement to which the Transferor 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 Transferee Company shall, under the provisions of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Transferor Company and, to implement and carry out all such formalities or compliance referred to above on the part/benefit of the Transferor Company to be carried out or performed.

4. LEGAL PROCEEDINGS

All legal proceedings of whatever nature by or against the Transferor Company pending on the Effective Date, shall not be abated, be discontinued or be, in any way, prejudicially affected by reason of the transfer of the undertaking of the Transferor Company or of anything

contained in this Scheme but the proceedings may be continued, prosecuted and enforced by or against the Transferee Company in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor Company as if the Scheme had not been made.

5. OPERATIVE DATE OF THE SCHEME

- a.** This Scheme shall be effective from the last of the dates on which certified copies of order of the Tribunal under Sections 230 and 232 of the Companies Act, 2013, are filed in the office(s) of the concerned Registrar of Companies. Such date is called as the Effective Date.
- b.** Though this Scheme shall become effective from the Effective Date, the provisions of this Scheme shall be applicable and come into operation from the Appointed Date.

6. DISSOLUTION OF TRANSFEROR COMPANY

On this Scheme, becoming effective as provided in Clause 5 above, the Transferor Company shall stand dissolved without the process of winding up.

7. EMPLOYEES OF TRANSFEROR COMPANY

- a.** All the employees of the Transferor Company in service on the date immediately preceding the date on which the Scheme finally takes effect, i.e., the Effective Date, shall become the employees of the Transferee Company on such date without any break or interruption in service and upon terms and conditions not less favourable than those subsisting in the Transferor Company on the said date.
- b.** Provident Fund, Gratuity Fund, Superannuation Fund and any other special fund or trusts created or existing for the benefit of the employees of the Transferor Company, if any, upon the Scheme becoming finally effective, the Transferee Company shall stand substituted for the Transferor Company for all purposes and intents, whatsoever, relating to the administration or operation of such schemes or funds or in relation to the obligation to make contributions to the said funds in accordance with the provisions of such funds. It is the intent that all the rights, duties, powers and obligations of the Transferor Company in relation to such funds shall become those of the Transferee Company. It is clarified that the services of the employees of the Transferor Company will be treated as having been continued for the purpose of the aforesaid funds or provisions.

8. CONDUCT OF BUSINESS BY TRANSFEROR COMPANY

From the Appointed Date until the Effective Date, the Transferor Company

- a.** Shall stand possessed of all its assets and properties referred to in Clause 2 above, in trust for the Transferee Company.
- b.** Shall be deemed to have carried on business and activities for and on behalf of and for the benefit and on account of the Transferee Company. Any income or profit accruing to the Transferor Company and all costs, charges and expenses or loss arising or incurring by the

Transferor Company on and from the Appointed Date shall, for all purposes and intents, be treated as the income, profits, costs, charges, expenses or loss, as the case may be, of the Transferee Company.

9. ISSUE OF SHARES BY TRANSFEREE COMPANY

Since the Transferor Company is a wholly owned subsidiary of the Transferee Company, no new share will be issued by the Transferee Company pursuant to the amalgamation of the Transferor Company with the Transferee Company.

10. UPON THIS SCHEME BECOMING FINALLY EFFECTIVE:

- a.** Entire Issued Share Capital and share certificates of the Transferor Company shall automatically stand cancelled. Shareholders of the Transferor Company will not be required to surrender the Share Certificates held in the Transferor Company.
- b.** Cross holding of shares between the Transferor Company and the Transferee Company on the record date shall stand cancelled. Approval of this Scheme by the Shareholders and/or Creditors of the Transferor and the Transferee Companies, as the case may be, and sanction by the Tribunal under section 230 and 232 of the Companies Act, 2013, shall be sufficient compliance with the provisions of sections 66 of the Companies Act, 2013, and other applicable provisions, if any, relating to the reduction of share capital on cancellation of cross holding, if any. Such reduction would not involve either the diminution of any liability in respect of un-paid share capital or the payment to any shareholder of any paid-up share capital.
- c.** The authorised share capital of the Transferor Company shall be added to and shall form part of the authorised share capital of the Transferee Company. Accordingly, the authorised share capital of the Transferee Company shall stand increased to the extent of the aggregate authorised share capital of the Transferor Company as on the effective date. In terms of the provisions of section 232(3)(i) of the Companies Act, 2013, and other applicable provisions, if any, the aggregate fees paid by the Transferor Company on the authorised capital shall be set-off against the fees payable by the Transferee Company on the increase in the authorised share capital as mentioned above. It is hereby clarified that the Transferee Company will pay the balance fee, if any, on the aforesaid increase in the authorised share capital after deducting the aggregate fees paid by the Transferor Company on the pre-merger authorised share capital.

Clause V/Capital Clause of the Memorandum of Association and relevant article(s) of the Articles of Association, if any, of the Transferee Company shall stand modified to give effect to the aforesaid increase in the authorised share capital of the Transferee Company. Approval of the present Scheme of Arrangement by the Shareholders of the Transferor/Transferee Companies will be sufficient for the aforesaid modification in Clause V of the Memorandum of Association and relevant article(s) of the Articles of Association, if any, of the Transferee Company and no further approval will be required for the same.

- d. Save as provided in Clause 10.c above, the Transferee Company shall increase/modify its Authorized Share Capital for implementing the terms of the Scheme, to the extent necessary.

11. RE-ORGANISATION OF CAPITAL OF ECE INDUSTRIES LTD, ON VOLUNTARY BASIS

- i. Post delisting, the Transferee Company-ECE Industries Ltd has a large number of public shareholders. However, there has not been much liquidity in the shares held by the Public Shareholders of the Transferee Company. After the expiry of the statutory one year of extended exit window available the Public Shareholders, there will not be much opportunity for the public shareholders to sell/transfer their shares in the Company.
- ii. In order to provide further opportunity to the Public Shareholders of the Transferee Company, it is proposed to re-organise the equity share capital of the Transferee Company, by cancelling up to 6,13,872 Equity Shares of ₹10 each held by the Public Shareholders, on voluntary basis; and to issue equivalent number of 9% non-cumulative Compulsorily Redeemable Preference Shares in place of the such cancelled Equity Shares. The proposed re-organisation will provide a permanent liquidity option for illiquid shares of the Company. It will help the non-promoter shareholders in realising the true potential of their investments in the Transferee Company which can be gainfully deployed elsewhere.
- iii. Accordingly, up to 6,13,872 Equity Shares of ₹10 each of the Transferee Company which are held by the Public Shareholders will, without any further act or application, be cancelled and equal number of 9% non-cumulative Compulsorily Redeemable Preference Shares of ₹10 each, credited as fully paid-up, will be issued by the Transferee Company to all such Public Shareholders.

It is, however, clarified that a Public Shareholder is entitled to retain his/her/its equity shareholding in the Transferee Company by giving a notice of such intention to the Transferee Company any time up to the Record Date to be fixed for such purpose. In all the cases where the Transferee Company receives intimation from the Public Shareholders to retain their equity shareholding in the Transferee Company, equity shares with respect to all such shareholders will not be cancelled and will not be replaced with 9% non-cumulative Compulsorily Redeemable Preference Shares.

- iv. 9% non-cumulative Compulsorily Redeemable Preference Shares to be issued in terms of the above, will be redeemed in terms of the provisions of the Companies Act, 2013, at price of ₹233.66 per Equity Share [face value of ₹10 each and redemption premium of ₹223.66 per Equity Share] within a maximum period of 20 years from the date of issue of such Redeemable Preference Shares with a put and call option available to the Preference Shareholders and the Issuer Company for early redemption.
- v. Relevant equity share certificates issued by the Transferee Company with respect to all such Public Shareholders (who have not given intimation of their intention to retain their equity shareholding in the Transferee Company) shall automatically stand

cancelled and new preference share certificate(s) will be issued without surrender of the original equity share certificates to give effect to aforesaid re-organisation and other provisions of this Scheme.

- vi.** Re-organization/reduction of the paid-up share capital, reserves & surplus, etc., as the case may be, of the Transferee Company shall be affected as an integral part of the Scheme only. Approval of this Scheme by the Shareholders and/or Creditors of the Transferor Company and the Transferee Company, as the case may be, and sanction by the Hon'ble National Company Law Tribunal shall be sufficient compliance with the provisions of sections 230, 232 and 66 of the Companies Act, 2013, and other applicable provisions, if any, relating to the aforesaid re-organisation/reduction of share capital. Such re-organisation/reduction of share capital would not involve either the diminution of any liability in respect of un-paid share capital or the payment to any shareholder of any paid-up share capital. The Transferee Company is not proposing any buy-back of shares from its shareholders.
- vii.** It is clarified that no creditor of the Transferee Company will be adversely affected by the proposed re-organisation of share capital. Compulsorily Redeemable Preference Shares to be issued in terms of this Scheme, shall be redeemed in accordance with the provisions of the Companies Act, 2013, relating to the redemption of preference shares. Hence, such redemption of Preference Shares will not be deemed to be a reduction of capital of the Transferee Company.

12. ACCOUNTING FOR AMALGAMATION

Upon the Scheme becoming effective, amalgamation of the Transferor Company with the Transferee Company, Re-organisation of Capital of ECE Industries Ltd, on voluntary basis and other connected matters will be accounted for in accordance with the applicable provisions of the Companies Act, 2013, Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015, and Generally Accepted Accounting Principles in India (Indian GAAP), as the case may be.

The Transferee Company shall give effect of the amalgamation in its books of accounts in accordance with accounting prescribed under "pooling of interest" method in the Indian Accounting Standard (Ind AS) 103 – Business Combinations as notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standard) Rules, 2015. Following are the salient features of the accounting treatment to be given:

- a.** All the assets and liabilities recorded in the books of the Transferor Company shall be transferred to and vested in the Transferee Company pursuant to the Scheme and shall be recorded by the Transferee Company at the respective carrying values as reflected in the books of the Transferor Company as on the Appointed Date.
- b.** Cross investments or other inter-company balances, if any, will stand cancelled.

- c. All the reserves of the Transferor Company will be incorporated in the books of the Transferee Company in the same form as they appeared in the financial statements, prepared in accordance with Indian Accounting Standards, of the Transferor Company.
- d. Any deficit arising out of amalgamation (including on account of cancellation of cross holdings or any other inter-company balances) shall be adjusted against reserves and surplus in the books of the Transferee Company. Whereas any surplus arising out of Amalgamation (including on account of cancelling of cross holdings or any other inter-company balances) shall be credited to capital reserve.
- e. Accounting policies of the Transferor Company will be harmonized with that of the Transferee Company following the amalgamation.
- f. It is, however, clarified that the Board of Directors of the Transferee Company, in consultation with the Statutory Auditors, may account for the present amalgamation and other connected matters in such manner as to comply with the provisions of section 133 of the Companies Act, 2013, the applicable Accounting Standard(s), Generally Accepted Accounting Principles and other applicable provisions, if any.

13. APPLICATION TO NATIONAL COMPANY LAW TRIBUNAL

- a. The Transferor Company shall make necessary applications/ petitions under the provisions of sections 230, 232 & 66 of the Companies Act, 2013, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, the National Company Law Tribunal Rules, 2016, and other applicable provisions, if any, to the Hon'ble National Company Law Tribunal for sanctioning of this Scheme, dissolution of the Transferor Company without the process of winding up and other connected matters.
- b. The Transferee Company shall also make necessary application(s)/petition(s) under the provisions of sections 230, 232 & 66 of the Companies Act, 2013, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, the National Company Law Tribunal Rules, 2016 and other applicable provisions, if any, to the Hon'ble National Company Law Tribunal for sanctioning of this Scheme and other connected matters.

14. MODIFICATIONS/AMENDMENTS TO THE SCHEME

- a. The Transferor Company and the Transferee Company through their respective Board of Directors may make or assent, from time to time, on behalf of all persons concerned, to any modifications or amendments to this Scheme or to any conditions or limitations which the Tribunal and/or any authorities under the law may deem fit to approve of or impose and 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 carrying the Scheme into effect.
- b. In order to give effect to this Scheme or to any modifications or amendments thereof, the Board of Directors of the Transferee Company may give and are authorised to give all such directions as

may be necessary including directions for settling any question, doubt or difficulty that may arise.

- c. The Transferor Company and/or the Transferee Company shall be at liberty to withdraw from this Scheme in case any condition, alteration or modification, imposed or suggested by the Tribunal or any other competent authority, is not acceptable to them; or as may otherwise be deemed fit or proper by any of these Companies. The Transferor Company and/or the Transferee Company will not be required to assign the reason for withdrawing from this Scheme.

15. INTERPRETATION

If any doubt or difference or issue arises between the Transferor Company and the Transferee Company or any of their Shareholders or Creditors and/or any other person as to the construction hereof or as to anything else contained in or relating to or arising out of this Scheme, the same shall be referred to Mr Rajeev K Goel, LLB, FCS, Advocate, Rajeev Goel & Associates, Advocates and Solicitors, 785, Pocket-E, Mayur Vihar II, Delhi Meerut Expressway/NH-24, Delhi 110 091, Mobile: 93124 09354, e-mail: rajeev391@gmail.com; Website: www.rgalegal.in, whose decision shall be final and binding on all concerned.

16. EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses of the Transferor Company and the Transferee Company incurred in relation to or in connection with this Scheme or incidental to the completion of the Amalgamation of the Transferor Company with the Transferee Company in pursuance of this Scheme, shall be borne and paid by the Transferee Company. However, in the event of the Scheme becoming invalid for any reason whatsoever, all costs, charges and expenses relating to the amalgamation exercise or incidental thereto shall be borne and paid by the respective Companies incurring the same.
