

**SCHEME OF AMALGAMATION
OF
MOTHERSON SUMI SYSTEMS LIMITED.
(TRANSFEREE COMPANY)
WITH
DRAEXLMAIER & MOTHERSON ELECTRICAL SYSTEMS INDIA
LIMITED
(TRANSFEROR COMPANY)**

PART I - PRELIMINARY

1. DEFINITIONS

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

- (a) “**Act**” means the Companies Act, 1956, including any statutory modifications, re-enactments or amendments thereof.
- (b) “**Appointed Date**” means the 1st day of April 2005 or such other date as may be approved by the High Court of Judicature at Delhi.
- (c) “**Effective Date**” means the last of the dates on which the certified copies of the order(s) of the High Court at Delhi vesting the assets, properties, liabilities, rights, duties, obligations and the like of the Transferor Company in the Transferee Company are filed with the Registrar of Companies, Delhi after obtaining the consents, approvals, permissions, resolutions, agreements, sanctions and orders necessary there for.

- (d) **“Transferor Company”** means Draexlmaier & Motherson Electrical Systems India Limited, a company incorporated under the Act and having its registered office at 43, Community Centre, Bhageria House, New Friends Colony, New Delhi – 110065.
- (e) **“Transferee Company”** means Motherson Sumi Systems Limited, a company incorporated under the Act and having its registered office at 43, Community Centre, Bhageria House, New Friends Colony, New Delhi – 110065.
- (f) **“Scheme of Amalgamation”** or **“this Scheme”** or **“the Scheme”** means this Scheme of Amalgamation, providing for Amalgamation of the Transferor Company into the Transferee Company, in its present form with such modifications as may be done in accordance with this Scheme.
- (g) **“Undertaking”** shall mean and include the whole of the undertaking of the Transferor Company, as going concern, including all secured and unsecured debts, borrowings including external commercial borrowings, liabilities including deferred tax liabilities (if any), duties and obligations and all the assets and properties, whether movable or immovable, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent, all plant and machinery, vehicles, fixed assets, work in progress, current assets, deferred tax assets (if any), investments, reserves, provisions, funds, quota rights, import quotas, import licenses, other licenses, registrations including registrations obtained under local or central statutes, copyrights, patents, trade names, trade marks, industrial designs,

and other industrial rights and licenses in respect thereof, applications (if any) for registration of copyrights, patents, trade names and trade marks, containers, packaging materials, labels, label designs, leases, licenses, including software licenses, tenancy rights, premises, ownership flats, hire purchase and lease arrangements, computers, office equipment, telephones, telexes, facsimile connections, communication facilities, equipment and installations and utilities, electricity, water and other service connections, employees, benefits of agreements, contracts and arrangements, including insurance contracts, arrangements with original equipment manufacturers, technical collaboration agreements, long term supply contracts, powers, authorities, permits, allotments, approvals, recognitions from Government Departments, quality certifications, consents, privileges, balances with all regulatory authorities, duty drawback claims, liberties, advantages, easements and all the right, title, interest, goodwill, benefit and advantage, deposits, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts and all other rights, claims and powers, of whatsoever nature and wheresoever situated belonging to or in the possession of or granted in favour of or enjoyed by the respective Transferor Company, as on the Appointed Date and all earnest money and/ or deposits including security deposits paid by the Transferor Company as on the Appointed Date.

2. DATE OF TAKING EFFECT

The Scheme, in so far as it relates to Amalgamation of Transferor Company into the Transferee Company, shall come into operation from the Appointed Date but shall become effective from the Effective Date.

PART II - AMALGAMATION

3. TRANSFER OF UNDERTAKING

The undertaking of the Transferor Company shall be transferred to and vested in or be deemed to be transferred to and vested in the Transferee Company in the following manner:

- (a) With effect from the Appointed Date, the whole of the undertaking of the Transferor Company comprising all assets and liabilities of whatsoever nature and wheresoever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and/or be deemed to be transferred to and vested in the Transferee Company as going concern so as to become as and from the Appointed Date the assets and liabilities of the Transferee Company and there shall be vested in the Transferee Company all the rights, title, interest or obligations of the Transferor Company therein and shall be subject to the subsisting charges as mentioned hereinafter.
- (b) All the movable assets including cash in hand, if any, and plant and machinery of the Transferor Company, capable of passing by manual delivery or by endorsement and delivery, shall be so delivered or endorsed and delivered, as the case may be, to the Transferee Company, without requiring any deed or instrument of conveyance for the same and shall become the property of Transferee Company accordingly.

- (c) Movables other than those specified in sub-clause (b) above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances, deposits and balances, if any, with Government, Semi-Government, local and other authorities and bodies, customers and other persons, shall also stand transferred under clause (a) above. The Transferor Company shall also give notice in such form as it may deem fit and proper to each person, debtor or depositor that pursuant to sanction of the High Court of Judicature at Delhi to the Scheme between the Transferor Company, the Transferee Company, and their respective members and creditors under Section 391 read with Section 394 of the Act, the said debt, loan, advance or deposit be paid or made good or held on account of the Transferee Company and all rights vested in the Transferor Company against relevant parties shall automatically vest in the Transferee Company.
- (d) With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Transferor Company shall also, under the provisions of Sections 391 to 394 of the Act, without any further act or deed, be transferred to or be deemed to be transferred to the Transferee Company so as to become as and from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of the Transferee Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations

have arisen, in order to give effect to the provisions of this sub-clause.

- (e) The transfer and vesting of the respective undertakings of the Transferor Company as aforesaid, shall be subject to the existing securities, charges and mortgages, if any, subsisting over or in respect of the property and assets or any part thereof of the Transferor Company.

Provided however, any reference in any security documents or arrangements (to which any of the Transferor Company is a party) to the assets of the Transferor Company offered or agreed to be offered as security for any financial assistance or obligations, shall be construed as reference only to the assets pertaining to the undertakings of the Transferor Company as are vested in the Transferee Company by virtue of the aforesaid Clauses, to the end and intent that such securities, charges and mortgages shall not extend or be deemed to extend, to any of the assets of the Transferee Company.

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

Provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Transferor Company which shall vest in the Transferee Company by virtue of the amalgamation of the Transferor Company with the Transferee Company and the Transferee Company shall not be obliged to create any further or additional security therefor after the amalgamation has become operative.

- (f) In so far as the various rights, quality certifications, licenses, registrations, arrangements with original equipment manufacturers, technical collaboration agreements, long term supply contracts, recognitions and approvals from Government Departments, incentives including duty drawback benefits, refund claims pending with Revenue Authorities, subsidies, rehabilitation schemes, special status and other benefits or privileges (granted by any Government body, local authority or by any other person) enjoyed or availed by the Transferor Company are concerned, the same shall vest with and be available to the Transferee Company on the same terms and conditions as were applicable to the Transferor Company.
- (g) Loans or other obligations, if any, due or outstanding inter se between the Transferor Company and the Transferee Company shall stand discharged and there shall be no liability, relating either to principal or to interest after the Appointed Date, in respect of such loans and other obligations.

4. BUSINESS AND PROPERTY IN TRUST FOR TRANSFeree COMPANY

4.1 As and from the Appointed Date up to and including the Effective Date:

- (a) The Transferor Company shall carry on and be deemed to have carried on its business and activities and shall stand possessed of all its assets and properties referred to in Clause 3 above, in trust for the Transferee Company and shall account for the same to the Transferee Company.
- (b) Any income or profit accruing or arising to the Transferor Company and all costs, charges, expenses and losses or taxes (including deferred tax balances, if any) incurred by the Transferor Company shall for all purposes be treated as the income, profits, costs, charges, expenses and losses or taxes (including deferred tax balances, if any), as the case may be, of the Transferee Company and shall be available to the Transferee Company for being disposed off in any manner as it thinks fit.
- (c) The Transferor Company shall not declare any dividend for the period commencing from and after the Appointed Date without the prior written consent of the Transferee Company.

4.2 With effect from the Appointed Date, all debts, liabilities, duties and obligations of the Transferor Company as on the close of business on the date preceding the Appointed Date, whether or not provided in the books of the Transferor Company, and all liabilities which

arise or accrue on or after the Appointed Date shall be deemed to be the debts, liabilities, duties and obligations of the Transferee Company.

5. CONDUCT OF BUSINESS

5.1 Till the Effective Date:

- (a) The Transferor Company shall carry on its business with reasonable diligence and in the same manner as it had been doing hitherto, and the Transferor Company shall not alter or substantially expand its businesses, except with the prior written concurrence of the Transferee Company.
- (b) The Transferor Company shall not, without the prior written concurrence of the Transferee Company, alienate, charge or encumber any of its properties referred to in Clause 3 above, except in the ordinary course of business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the respective Board of Directors of the Transferor Company, unless prior written consent of the Transferee Company is obtained.
- (c) The Transferor Company shall not vary or alter, except in the ordinary course of business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the Board of Directors of the Transferor Company, the terms and conditions of employment of any of its employees, nor shall it conclude any settlement or compromise with its employees, unless prior written consent of the Transferee Company is obtained.

- (d) The Transferor Company shall not issue or allot any further shares to any person in any manner whatsoever, unless prior written consent of the Transferee Company is obtained.
- (e) The Transferee Company shall be entitled to apply to the Central/State Government, and all other agencies, departments and authorities concerned as are necessary under any law, for such consents, approvals and sanctions, which the Transferee Company may require to own and operate the undertakings of the Transferor Company.

6. LEGAL PROCEEDINGS

- 6.1 All legal proceedings of whatsoever nature by or against the Transferor Company pending and/ or arising at the Appointed Date and relating to the Transferor Company or its undertaking or properties, assets, debts, liabilities, duties and obligations referred to in Clause 3, shall be continued and/ or enforced until the Effective Date as desired by the Transferee Company and as and from the Effective Date shall be continued and enforced by or against the Transferee Company in the same manner and to the same extent as would or might have been continued and enforced by or against the Transferor Company. On and from the Effective Date, the Transferee Company shall and may, if required, initiate any legal proceedings in its name in relation to the Transferor Company in the same manner and to the same extent as would or might have been initiated by the Transferor Company.

- 6.2 After the Appointed Date, if any proceedings are taken against the Transferor Company above, the same shall be defended at the cost of the Transferee Company.

7. CONTRACTS AND DEEDS

- 7.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, licenses, agreements, insurance policies and other instruments, if any, of whatsoever nature to which any of the Transferor Company is a party and subsisting or having effect on the Effective Date shall be in full force and effect against or in favour of the Transferee Company, as the case may be, and may be enforced by or against the Transferee Company as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party thereto. It is clarified that any contracts between the Transferor Company and the Transferee Company as on the Effective Date shall stand terminated.
- 7.2 The Transferee Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any agreement, confirmations or novations to which the Transferor Company will, if necessary, also be a party in order to give formal effect to the provisions of this Scheme, if it is so required or if it becomes necessary.

8. DISSOLUTION OF TRANSFEROR COMPANY

On the Scheme coming into effect, the Transferor Company shall, without any further act or deed, stand dissolved without winding up.

9. SHARE CAPITAL

9.1 Share Capital of Transferee Company

The Authorised, Issued, Subscribed and Paid up Share Capital of Transferee Company as of date is as under:

PARTICULARS	AMOUNT (Rs)
<u>AUTHORISED CAPITAL</u>	
300,00,000 Equity Shares of Rs 1/- each	30,00,00,000
<u>ISSUED,</u>	
23,48,92,400 Equity Shares of Rs 1/- each	23,48,92,400
<u>SUBSCRIBED AND PAID-UP CAPITAL</u>	
23,48,89,200 Equity Shares of Rs 1/- each	23,48,89,200

9.2 Share Capital of Transferor Company

The Authorised, Issued, Subscribed and Paid up Share Capital of the Transferor Company as of Date is as under:

PARTICULARS	AMOUNT (Rs)
<u>AUTHORISED CAPITAL</u>	
38,00,000 Equity Shares of Rs 10/- each and	3,80,00,000
15,00,000 Preference Shares of Rs. 10/- each	1,50,00,000
<u>Total authorised share capital</u>	5,30,00,000
<u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</u>	
37,40,000 Equity Shares of Rs 10/- each	3,74,00,000
14,54,817 Preference Shares of Rs. 10/-	1,45,48,170

each

Total paid up capital	5,19,48,170
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9.3 Share Capital of the Transferee Company on Amalgamation:

Upon the Scheme coming into effect the authorised share capital of the Transferee Company in terms of its Memorandum and Articles of Association shall stand enhanced by Rs 5,30,00,000, ie. by the amount of the authorised share capital of the Transferor Company, by virtue of amalgamation of the authorised share capital of both the Transferor company amounting to Rs. 5,30,00,000 and the Transferee Company amounting to Rs. 30,00,00,000 and the authorised share capital of the Transferee Company shall become Rs. 35,30,00,000 (Rupees thirty five crores thirty lacs only) divided into 35,30,00,000 (Thirty five crores thirty lacs) equity shares of Rs. 1/- each.

10. CANCELLATION/ ISSUE OF EQUITY SHARES

10.1 The Transferor Company is a wholly owned subsidiary of the Transferee Company and the entire equity and preference shares of Transferor Company is held by the Transferee Company. Upon the coming into effect of this Scheme 37,40,000 (Thirty seven lacs forty thousand) equity shares of Rs. 10/- (Rupees Ten) each aggregating to Rs. 3,74,00,000 (Rupees three crores seventy four lacs only) and 14,54,817 (Fourteen lacs fifty four thousand eight hundred and seventeen) preference shares of Rs. 10/- each aggregating to Rs. 1,45,48,170 (Rupees one crore forty five lacs forty eight thousand one hundred and seventy only) in the Transferor company held by Transferee company shall stand cancelled in terms of this scheme and accordingly shall stand

extinguished, without any other act or deed or thing to be done by any person and no shares or consideration shall be issued/ paid by the Transferee Company pursuant to such cancellation.

- 10.2 The Transferor Company shall not make any change in its capital structures either by any increase (by issue of equity shares, issuance of bonus shares, convertible debentures, etc) or otherwise by decrease, reduction, reclassification, sub-division or consolidation, re-organisation, or in any other manner which may, in any way, affect the equity share exchange ratio, except by mutual consent of the respective Board of Directors of the Transferor Company and the Transferee Company.

11. STAFF, WORKMEN AND EMPLOYEES

- 11.1 On the Scheme coming into effect, all staff, workmen and employees of the Transferor Company in service on such date shall be deemed to have become staff, workmen and employees of the Transferee Company with effect from the Appointed Date without any break in their service and on the basis of continuity of service and the terms and conditions of their employment with the Transferee Company shall not be less favourable than those applicable to them with reference to the Transferor Company.
- 11.2 It is expressly provided that, in so far as the Provident Fund, Gratuity Fund, Superannuation Fund or any other Special Fund created or existing for the benefit of the staff, workmen and employees of the Transferor Company are concerned including all arrangements with Life Insurance Corporation of India, if any, in relation to such Fund or Funds, upon the Scheme coming into

effect, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever in relation to the administration or operation of such Fund or Funds and in relation to the arrangements with Life Insurance Corporation of India, if any or in relation to the obligation to make contributions to the said Fund or Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of the Transferor Company in relation to such Fund or Funds shall become those of the Transferee Company and all the rights, duties and benefits of the employees employed in different units of the Transferor Company under such Funds and Trusts shall be protected, subject to the provisions of law for the time being in force. It is clarified that the services of the staff, workmen and employees of the Transferor Company will be treated as having been continuous for the purpose of the said Fund or Funds.

12. GENERAL TERMS OF AMALGAMATION

- 12.1 Upon the Scheme coming into effect, the Transferee Company shall be entitled to use all packaging, labels, point of sale material, sign board, samples, closures, other publicity material, etc, lying unused and which Transferor Company is entitled to use under any statutes/ regulations, till such time, as all of such packaging, labels, closures, etc are exhausted.
- 12.2 It is clarified that all taxes payable by the Transferor Company from the Appointed Date onwards including all or any refunds and claims, including claims for refunds pending with the Revenue Authorities, shall, for all purposes, be treated as the tax liabilities or

refunds and claims of the Transferee Company. Accordingly, upon the Scheme becoming effective, the Transferee Company is expressly permitted to revise, if it becomes necessary, its Sales tax returns, Excise & Modvat/ Cenvat returns, other tax returns, and to claim refunds/ credits, pursuant to the provisions of this Scheme.

Upon the Scheme becoming effective, the Transferee Company is also expressly permitted to revise, if it becomes necessary, its income tax returns and to claim refunds, advance tax and withholding tax credits, etc, pursuant to the provisions of this Scheme.

- 12.3 In accordance with the Modvat/ Cenvat Rules framed under the Central Excise Act, 1944, as are prevalent on the Effective Date, the unutilized credits relating to excise duties paid on inputs/ capital goods lying in the accounts of the Transferor Company shall be permitted to be transferred to the credit of the Transferee Company, as if all such unutilized credits were lying to the account of the Transferee Company. The Transferee Company shall accordingly be entitled to set off all such unutilized credits against the excise duty payable by it.

PART IV – ACCOUNTING TREATMENT

- 13.1 Transferee Company shall record the assets and liabilities of Transferor Company vested in it pursuant to this Scheme, at the respective book values thereof as appearing in the books of Transferor Company on the Appointed Date. To the extent that there are inter-corporate loans or balances between Transferor

Company and Transferee Company, the obligations in respect thereof shall be discharged and corresponding effect shall be given in the books of account and records of Transferee Company for the reduction of any assets or liabilities, as the case may be. There will be no accrual of interest or other charges in respect of any such inter-company loans or balances with effect from the Appointed Date.

- 13.2 The identity of reserves of Transferor Company shall be maintained and the same shall be aggregated with the balances of similar reserves in the books of Transferee Company. Balances shown as "Miscellaneous Expenditure" (to the extent not written off or adjusted) in the balance sheet of Transferor Company shall be similarly aggregated with balances of Transferee Company.
- 13.3 In case of any differences in accounting policies between Transferor Company and Transferee Company, the impact of the same till the merger will be quantified and adjusted in the general reserve of Transferee Company to secure the financial statements of Transferee Company are prepared on the basis of a consistent accounting policy.
- 13.4 The excess, if any, of the value of the assets over the value of the liabilities of Transferor Company pursuant to this Scheme shall be recorded as general reserve account in the books of Transferee Company. Such general reserves shall be treated as free reserves for all purposes.

13.5 The deficit, if any, in the value of the assets over the value of the liabilities of Transferor Company pursuant to this Scheme shall be adjusted against reserves in the books of Transferee Company.

13.6 Notwithstanding the above, the Transferee Company, in consultation with its auditors, is authorised to account any of these balances in any manner whatsoever, if considered more appropriate.

PART V – GENERAL

14. APPLICATIONS TO HIGH COURTS

14.1 The Transferee Company and the Transferor Company shall, with all reasonable dispatch, make applications to the High Court of Judicature at Delhi, under Section 391 of the Act, seeking orders for dispensing with and/or convening, holding and conducting of the meetings of the members and/ or creditors of the Transferor Company and the Transferee Company as may be directed by the High Court of Judicature at Delhi.

14.2 Upon complying with the Orders of the High Court of Delhi on the applications mentioned in Clause 14.1, the Transferee Company and the Transferor Company shall, with all reasonable dispatch, apply to the High Court of Delhi for sanctioning the Scheme under Sections 391, 394 and 101 of the Act, and for such other Order or Orders, as the said High Court may deem fit for carrying this Scheme into effect and for dissolution of the Transferor Company without winding up.

15. CONDITIONALITY OF SCHEME

- 15.1 The Scheme is conditional upon and subject to being approved by the High Court of Delhi.
- 15.2 This Scheme, although to come into operation from the Appointed Date (subject to Clause 2), shall not become effective until the date on which all necessary certified copies of Orders are duly filed with the Registrar of Companies, NCT of Delhi & Haryana, New Delhi. The date of such filings shall be the "Effective Date" for the purpose of this Scheme.

16. MODIFICATION OR AMENDMENT

The Transferor Company (by its Directors) and the Transferee Company (by its Directors) may assent to any modification(s) or amendment(s) in this Scheme which the Court and/or any other authorities may deem fit to direct or impose, including sanction of components of the Scheme in part, or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/ or carrying out the Scheme and the Transferor Company (by its Directors) and the Transferee Company (by its Directors) and after the dissolution of the Transferor Company, the Transferee Company (by its Directors) be and are hereby authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and to resolve any doubts, difficulties or questions whether by reason of any orders of the Court or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith.

17. COSTS, CHARGES AND EXPENSES

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

18. AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Consequent to the Scheme of Amalgamation being sanctioned by this Hon'ble Court the necessary changes shall be deemed to have been effected in the Memorandum of Association of the Transferee Company, in accordance with the provisions contained above and as per the Order sanctioning the scheme.
