

ANNEXURE 1

**SCHEME OF ARRANGEMENT
BETWEEN
MAHINDRA TWO WHEELERS LIMITED
AND
MAHINDRA AND MAHINDRA LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**UNDER SECTIONS 391 TO 394 READ WITH SECTIONS 100 TO 104 OF THE COMPANIES ACT, 1956 AND
SECTION 52 OF THE COMPANIES ACT, 2013**

1. INTRODUCTION

- 1.1. Mahindra Two Wheelers Limited (hereinafter referred to as "**Demerged Company**" or "**MTWL**"), a Company incorporated under the Companies Act, 1956, and having its registered office at Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-400018, Maharashtra, India is engaged in the businesses of manufacturing and selling of two wheelers ("Two Wheelers Business") and trading in spare parts and accessories ("MTWL Spares Business").
- 1.2. Mahindra and Mahindra Limited (hereinafter referred to as "**Resulting Company**" or "**M&M**"), a Company incorporated under the Indian Companies Act, VII of 1913 and having its registered office at Gateway Building, Apollo Bunder, Mumbai - 400 001, Maharashtra, India is, *inter alia*, engaged in the business of manufacture and sale of tractors, general-purpose utility vehicles, light commercial vehicles three-wheelers and trucks and buses. The equity shares of the Resulting Company are listed on the Stock Exchanges (hereinafter defined).
- 1.3. MTWL is a subsidiary of Mahindra Vehicle Manufacturers Limited ("MVML"). MVML, a company incorporated under the Companies Act, 1956 is a wholly owned subsidiary of M&M. MVML, incorporated in the year 2007, having its registered office at Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-400018, Maharashtra, India, is engaged in the business of manufacture of motor vehicles, trailers, semi-trailers and other transport vehicles.
- 1.4. This Scheme, *inter alia*, provides for i) re-organisation of securities premium and share capital of the Demerged Company- and ii) demerger of the Two Wheelers Undertaking (hereinafter defined in Part I) of the Demerged Company and transfer and vesting thereof into the Resulting Company, including consequential or related matters integrally connected therewith.
- 1.5. The proposed demerger of the Two Wheelers Undertaking envisaged in this Scheme ("the Demerger") is in line with the Two Wheeler strategy of focusing on premium niche segment.

With M&M being present in many segments of the automotive industry e.g. Passenger & Utility Vehicles and Commercial Vehicles including Three Wheelers, Trucks & Buses, the proposed demerger of Two Wheelers Undertaking of MTWL, envisaged in this Scheme ("the Demerger") in line with its strategy of focusing on niche premium Two Wheeler

segment, would enable the Undertaking to benefit from M&M's Design & Development and Sourcing capabilities. The proposed demerger would also enable the Demerged Company to enhance focus on the spares business.

Accordingly, the Board of Directors of the Demerged Company and the Resulting company are of the view that the transfer and vesting of the Two Wheelers Undertaking (hereinafter defined in Part I) of the Demerged Company with the Resulting Company will enable both the companies achieve and fulfil their objectives more efficiently and in cost effective manner, besides being in the interest of minority shareholders, in particular.

- 1.6. The Scheme has been approved by the Board of Directors of the Demerged Company and the Resulting Company.
- 1.7. The transfer of the Demerged Undertaking shall be on a going concern basis.

2. PARTS OF THE SCHEME

- 2.1. This Scheme of Arrangement is divided into the following parts:
 - 2.1.1. PART I deals with the definitions and share capital of the Demerged Company (*defined hereinafter*) and the Resulting Company;
 - 2.1.2. PART II deals with the re-organisation of securities premium and share capital of the Demerged Company and the corresponding accounting treatment in connection therewith
 - 2.1.3. PART III deals with the demerger of the Two Wheelers Undertaking of the Demerged Company and transfer and vesting thereof into the Resulting Company;
 - 2.1.4. PART IV deals with the Remaining Business (*defined hereinafter*) of the Demerged Company (*defined hereinafter*);
 - 2.1.5. PART V deals with the consideration for the demerger and accounting treatment for the demerger in the books of the Demerged Company and the Resulting Company consequent to the demerger; and
 - 2.1.6. PART VI deals with general terms and conditions applicable to this Scheme.

PART – I

DEFINITIONS AND SHARE CAPITAL

3. DEFINITIONS

In this Scheme, unless repugnant to the subject or context or meaning thereof, the following expressions shall have the meanings as set out herein below:

- 3.1. "Act" means the Companies Act, 1956 and/or the Companies Act, 2013 and rules made thereunder, including any statutory modifications, re-enactments or amendments thereof for the time being in force; it being clarified that as on the date of approval of this Scheme by the Board of Directors of the Demerged Company and the Resulting Company, sections 391 to 394 and 100 to 104 of the Companies Act, 1956 continue to be in force with the corresponding provisions of the Companies Act, 2013 not having been notified.

Accordingly, references in this Scheme to particular provisions of the Act are references to particular provisions of the Companies Act, 1956. Upon such provisions standing re-enacted by enforcement of provisions of the Companies Act, 2013 such references shall, unless a different intention appears, be construed as references to the provisions so re-enacted.

- 3.1.1. "Appointed Date" means 1st October, 2016 or such other date as may be directed or approved by the High Court.
- 3.2. "Demerged Company" or "MTWL" means Mahindra Two Wheelers Limited, a Company incorporated under the Companies Act, 1956, and having its registered office at Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-400018, Maharashtra, India.
- 3.3. "Effective Date" or "coming into effect of this Scheme" or "upon the Scheme becoming effective" means the last of the dates, if applicable, on which the certified or authenticated copy(ies) of the order(s) sanctioning the Scheme passed by the High Court or any other Appropriate Authority, as may be applicable, is/are filed with the Registrar of Companies, Mumbai.
- 3.4. "Governmental Authority" or "Appropriate Authority" means any applicable central, state or local government, legislative body, regulatory or administrative authority, agency or commission or any court, tribunal, board, Stock Exchanges, bureau, instrumentality, judicial or arbitral body having jurisdiction over the territory of India.
- 3.5. "High Court" means the High Court of Judicature at Bombay or such other competent authority under the provisions of Sections 391 to 394 read with Sections 100 to 104 of the Act. It is hereby clarified that in the event that the provisions of the Companies Act, 2013 pertaining to scheme of arrangement become applicable and effective for the purposes of this Scheme, all references to the High Court shall be deemed to include references to the National Company Law Tribunal so constituted under the Companies Act, 2013.
- 3.6. "Record Date" means the date to be fixed by the Resulting Company in consultation with the Demerged Company for the purpose of reckoning the names of the equity shareholders (other than Resulting Company and/or any subsidiary of the Resulting Company) of the Demerged Company, who shall be entitled to receive shares of the Resulting Company upon coming into effect of the Scheme.
- 3.7. "Remaining Business" or "Remaining Business of MTWL" shall mean all undertakings, businesses, activities and operations including assets and liabilities of MTWL other than the Two Wheelers Undertaking. It shall specifically include the MTWL Spares Business.
- 3.8. "Resulting Company" or "M&M" means Mahindra and Mahindra Limited a Company incorporated under the Indian Companies Act, VII of 1913 and having its registered office at Gateway Building, Apollo Bunder, Mumbai - 400 001, Maharashtra, India.
- 3.9. "Scheme" means this Scheme of Arrangement between Mahindra Two Wheelers Limited and Mahindra and Mahindra Limited and their respective shareholders and creditors, in its present form and / or with any modifications and amendments thereto made under Clause 24 of this Scheme as approved or directed by the High Court or any other Appropriate Authority.
- 3.10. "Stock Exchanges" means BSE Limited and the National Stock Exchange of India Limited

where the equity shares of the Resulting Company are listed.

3.11. "Two Wheelers Undertaking" or "Demerged Undertaking" means MTWL's entire undertaking, business, activities and operations pertaining to the Two Wheeler Business. The term Two Wheelers Undertaking shall include the following:

3.11.1. All assets (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible) wherever situated and of whatever nature, pertaining thereto through which MTWL carries on the business, activities and operations relating to the Two Wheelers Business.

3.11.2. All present and future liabilities (including contingent liabilities) loans, debts (whether secured or unsecured) raised or incurred, current liabilities and provisions, duties and obligations of every kind, nature and description whatsoever and howsoever arising or accruing in relation to the business activities and/or operations relating solely to the Two Wheelers Business.

3.11.3. Without prejudice to the generality of the above, the Two Wheelers Business shall also include in particular:

3.11.3.1. All assets and properties including land, building, Plant and machinery, capital work in progress, equipment, furniture and fixture, vehicles, computers, electrical installations and any other fixed asset in relation to the Two Wheelers Business;

3.11.3.2. All current assets, inventory, stock-in-trade, account receivables, loans and advances, prepaid expenses and other assets in relation to the Two Wheelers Business;

3.11.3.3. Cash and cash equivalents, bank balances and bank accounts relating to the Two Wheelers Business including fixed deposits;

3.11.3.4. Security deposits, advances, earnest monies, balances, advance lease rentals or other payments made to or received from the lessors or suppliers or service providers in relation to the Two Wheelers Business and includes deposits and balances with Government, Semi-Government, local and other authorities and bodies, including all tax balances or balances with any tax authority or other statutory body pertaining to the Two Wheelers Business, customers and other persons earnest moneys and/or security deposits paid or received by MTWL in connection with the Two Wheelers Business;

3.11.3.5. All agreements (including but not limited to agreements with respect to immoveable properties by way of lease, license and business arrangements), rights, contracts, entitlements, permits, licenses, registrations, insurance policies, approvals, consents, engagements, arrangements, subsidies, concessions, exemptions and all other privileges and benefits of every kind, nature and description whatsoever (including but not limited to benefits of tax relief including under the Income-tax Act, 1961 such as credit for advance tax, taxes deducted at source, etc., unutilised deposits or credits, benefits under the VAT/ Sales Tax law, VAT/ sales tax set off, unutilised deposits or credits, benefits of any unutilised MODVAT/CENVAT/Service tax credits, etc.) relating to the Two Wheelers Business;

- 3.11.3.6. Investments held by MTWL in relation to Two Wheelers Business;
- 3.11.3.7. All permanent employees of MTWL excluding those who are engaged in relation to the Remaining Business;
- 3.11.3.8. All records, files, documents, reports, papers, computer programs, manuals, data catalogues, quotations, sales and advertising materials, list of present and former customers and suppliers, customer credit information, customer pricing information and other records, whether in physical form or electronic form in connection with or relating to the Two Wheelers Business;
- 3.11.3.9. All intellectual property including but not limited to technical know-how, assignment of trademarks and other related rights, title and interest vested thereto rights owned or licensed, records, files, papers, data and documents in the name of MTWL and in relation to the Two Wheelers Business, Brand name and domain name;
- 3.11.3.10. All pending litigations or proceedings filed by or against the Demerged Company pertaining to the Two Wheelers Business; and
- 3.11.3.11. All loans and cash credit facilities availed of by the Demerged Company for the purposes of the Two Wheelers Business and other liabilities incurred in connection therewith.

Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Two Wheelers Business or whether it arises out of the activities or operations of the Two Wheelers Business shall be decided by mutual agreement between MTWL and the Resulting Company.

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

4. DATE OF TAKING EFFECT AND OPERATIVE DATE

This Scheme set out herein in its present form or with any modification(s) and amendment(s) made under Clause 24 of this Scheme duly approved or imposed or directed by the High Court shall be effective from the Appointed Date but shall be operative from the Effective Date. Therefore, for all regulatory and tax purposes, the Demerger would be effective from the Appointed Date of this Scheme. Notwithstanding the above, the accounting treatment to be adopted to give effect to the provisions of the Scheme would be in consonance with Indian Accounting Standards 103 ("Ind AS 103") and the mere adoption of such accounting treatment will not in any manner affect the vesting of the Demerged Undertaking from the Appointed Date.

5. SHARE CAPITAL

- 5.1. The share capital of MTWL as on 31st March 2016 is as under:

Particulars	Amount (Rs.)
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Authorised capital	
350,00,00,000 Equity Shares of Rs 10 each	3500,00,00,000
Issued, subscribed and fully paid-up	
265,83,89,216 Equity Shares of Rs 10 each	2658,38,92,160

Subsequent to 31st March, 2016, there was a further allotment of 34,00,00,000 Equity Shares at Rs.10 per share to MVML on rights basis. The equity shares of MTWL are not listed on any stock exchange. MVML, which is a wholly owned subsidiary of the Resulting Company, holds 276,60,97,350 Equity Shares of the Demerged Company.

5.2. The share capital of the Resulting Company as on 31st March, 2016 is as under:

Particulars	Amount (Rs.)
Authorised capital	
120,00,00,000 Ordinary (Equity) Shares of Rs.5 each and 25,00,000 Unclassified Shares of Rs.100 each	625,00,00,000
Issued, subscribed and fully paid-up	
62,10,92,384 Ordinary (Equity) Shares of Rs.5 each fully paid-up	310,54,61,920
Less : 2,84,58,577 Ordinary (Equity) Shares of Rs.5 each fully paid-up issued to ESOP Trust but not allotted to employees	14,22,92,885
Adjusted : Issued and Subscribed Share Capital of 59,26,33,807 Ordinary (Equity) Shares of Rs.5 each fully paid-up	296,31,69,035

The equity shares of the Resulting Company are listed on the Stock Exchanges.

PART – II

REORGANISATION OF SHARE CAPITAL OF THE DEMERGED COMPANY

6. REORGANISATION OF SHARE CAPITAL OF MTWL

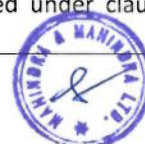
6.1. Against the securities premium account and share capital of MTWL, it is proposed to write off:

6.1.1. The aggregate of the balance in Profit and Loss Account as on close of business hours on 30 September, 2016; and

6.1.2. The additional debit balance in Profit & Loss Account pursuant to clause 10.2, if any.

6.1.3. Aggregate of the balance in Profit and Loss Account as mentioned in clause 6.1.1. and the additional debit balance in Profit & Loss Account as mentioned under clause 6.1.2 is

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collectively referred to as "MTWL Aggregate Book Losses"

- 6.2. Accordingly, upon coming into effect of this Scheme, the MTWL Aggregate Book Losses shall be adjusted:
- 6.2.1. Against the securities premium account as on close of business hours on 30 September, 2016 aggregating to Rs. 7,41,72,890 (Rupees Seven Crore Forty One Lakh Seventy Two Thousand Eight Hundred Ninety only); and
- 6.2.2. Balance against the re-organisation of issued, subscribed and paid-up equity share capital of MTWL by reducing face value and paid up value of equity share capital of Rs 10 each to Re 0.02 each.
- 6.3. The re-organisation of issued, subscribed and paid-up equity share capital of MTWL shall be effected by an amount of Rs 2992,39,24,376 (Rupees Two Thousand Nine Hundred Ninety Two Crore Thirty Nine Lakh Twenty Four Thousand Three Hundred and Seventy Six Only).
- 6.4. Consequent upon the re-organisation, as mentioned above, the MTWL Aggregate Book Losses shall be reduced to NIL and the issued, subscribed and paid-up share capital of MTWL will be revised as under:

Issued, subscribed and fully paid-up	Amount (Rs.)
299,83,89,216 Equity Shares of Re.0.02 each	5,99,67,784

Out of the above, 276,60,97,350 equity shares will be held by MVML.

- 6.5. The share certificates of MTWL in relation to the equity shares held by its equity shareholders shall, without any further application, act, instrument or deed, be deemed to have been automatically modified pursuant to the re-organisation of share capital contemplated in Clause 6.2.2 above.
- 6.6. The re-organisation of securities premium and share capital as aforesaid of MTWL shall be effected as an integral part of and in terms of this Scheme and shall constitute sufficient compliance in terms of Section 52 of the Companies Act 2013 and Sections 100 to 104 of the Companies Act 1956 and as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital, the provisions of Section 101 of the Act are not applicable. However, the order of the High Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act as well as other applicable provisions of Companies Act 2013 (as notified) confirming the re-organization.
- 6.7. The re-organisation of securities premium and share capital as aforesaid of MTWL as envisaged in the Scheme shall not affect or impair in any manner the rights and interests of any of the creditors of MTWL, since MTWL, post such reduction, would continue to be in a position to honor the dues of their respective creditors. Therefore, MTWL seeks liberty of the High Court for dispensation of words "and reduced" to be added as suffix to its name, as contemplated in section 102(2) and 102(3) of the Act.

PART – III

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DEMERGER OF TWO WHEELERS UNDERTAKING

7. TRANSFER AND VESTING OF THE TWO WHEELERS UNDERTAKING

Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, with effect from the Appointed Date after giving effect to Part II of the Scheme, the Two Wheelers Undertaking (including all the estate, assets, rights, claims, title, interest and authorities including accretions and appurtenances of the Two Wheelers Undertaking) pursuant to the provisions of Sections 391 to 394 of the Act and Section 2(19AA) of the Income-tax Act, 1961 shall stand transferred to and vested in or deemed to be transferred to and vested in the Resulting Company, as a going concern without any further act, deed, matter or thing in the following manner:

7.1. Assets

7.1.1. The whole of the Two Wheelers Undertaking shall without any further act, deed, matter or thing, stand transferred to and vested in and / or be deemed to be transferred to and vested in the Resulting Company so as to vest in the Resulting Company all rights, title and interest pertaining to the Two Wheelers Undertaking;

7.1.2. All assets, investments, right, title or interest acquired by the Demerged Company after the Appointed Date but prior to the Effective Date in relation to the Two Wheelers 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 this Scheme pursuant to the provisions of Sections 391 to 394 of the Act, provided however that no onerous asset shall have been acquired by the Demerged Company in relation to any Two Wheelers Undertaking after the Appointed Date without the prior written consent of the Resulting Company; and

7.1.3. All the movable assets of the Two Wheelers Undertaking and the assets which are otherwise capable of transfer by physical delivery or endorsement and delivery, including cash in hand, shall be so transferred to the Resulting Company and deemed to have been physically handed over by physical delivery or by endorsement and delivery, as the case may be, to the Resulting Company to the end and intent that the property and benefit therein passes to the Resulting Company with effect from the Appointed Date. Such delivery and transfer shall be made on a date mutually agreed upon between the Demerged Company and the Resulting Company. However such date of delivery shall be within 30 (thirty) days from the Effective Date or such other date as may be mutually agreed upon by the Demerged Company and the Resulting Company.

7.1.4. Upon the Scheme coming into effect and with effect from the Appointed Date, all immovable property, whether freehold or leasehold, (including but not limited to land, buildings, offices, factories, sites and any other immovable property, including accretions and appurtenances) relating to the Two Wheelers Undertaking of the Demerged Company, and any document of title, rights, interest and easements in relation thereto shall stand transferred to and be vested in the Resulting Company, without any act or deed to be done by the Demerged Company and/ or the Resulting Company and/or any other Appropriate Authority. The Resulting Company shall be entitled to exercise all rights and privileges and be liable to pay all taxes and charges and fulfil all obligations, in relation to or applicable to such immovable properties. The mutation and/or substitution of the title to the immovable properties shall be made and duly recorded in the name of the Resulting Company by the

appropriate governmental authorities and third parties pursuant to the sanction of the Scheme by the High Court and upon the Scheme becoming effective in accordance with the terms hereof without any further act or deed on part of the Demerged Company and/ or the Resulting Company. It is clarified that the Resulting Company shall be entitled to engage in such correspondence and make such representations as may be necessary for the purposes of the aforesaid mutation and/or substitution.

7.2. Contracts

7.2.1. All contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Two Wheelers 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 against or in favour of, as the case may be, the Resulting Company in which the Two Wheelers Undertaking vests by way of demerger hereunder 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 thereunder; and

7.2.2. Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Two Wheelers Undertaking occurs by virtue of this Scheme itself, the Resulting Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required under any law or otherwise, 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 Resulting Company shall, under the provisions of Part III of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Demerged Company in relation to the Two Wheelers Undertaking 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.

7.3. Liabilities

7.3.1. All debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of the Two Wheelers Undertaking shall also, under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, without any further act or deed, be transferred to or be deemed to be transferred to the Resulting Company, so as to become from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of the Resulting 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;

7.3.2. Where any of the loans raised and used, liabilities and obligations incurred, 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 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; and

7.3.3. All loans raised and used and all liabilities and obligations incurred by the Demerged Company for the operations of the Two Wheelers Undertaking with prior approval of the

Resulting Company after the Appointed Date and prior to the Effective Date, shall, subject to the terms of this Scheme, 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 debts, liabilities, duties and obligations of the Resulting Company which shall meet, discharge and satisfy the same.

7.4. Licenses and Permissions

Any statutory licenses, permissions or approvals or consents held by the Demerged Company required to carry on operations of the Two Wheelers Undertaking shall stand vested in or transferred to the Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Resulting Company and the benefit of all statutory and regulatory permissions, environmental approvals and consents, registration or other licenses, and consents shall vest in and become available to the Resulting Company as if they were originally obtained by the Resulting Company. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges enjoyed, granted by any Governmental Authority or by any other person, or availed of by the Demerged Company relating to the Two Wheelers Undertaking, are concerned, the same shall vest with and be available to the Resulting Company on the same terms and conditions as applicable to the Demerged Company, as if the same had been allotted and/or granted and/or sanctioned and/or allowed to the Resulting Company.

PART – IV

REMAINING BUSINESS

8. REMAINING BUSINESS OF THE DEMERGED COMPANY

- 8.1. The Remaining Business of the Demerged Company and all other assets, liabilities, incentives, rights and obligations pertaining thereto shall continue to be vested in and managed by the Demerged Company in the manner as provided below.
- 8.2. All legal and other proceedings including any insurance claims by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted in future, whether or not in respect of any matter arising before the Effective Date and relating to the Remaining Business of the Demerged Company (including those relating to any property, right, power, liability, obligation or duty, of the Demerged Company in respect of the Remaining Business of the Demerged Company) shall be continued and enforced by or against the Demerged Company.
- 8.3. With effect from the Appointed Date:
- 8.3.1. The Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining Business of the Demerged Company for and on its own behalf;
- 8.3.2. The Demerged Company may enter into such contracts as the Demerged Company may deem necessary in respect of the Remaining Business;

- 8.3.3. All profits accruing to the Demerged Company thereon or losses arising or incurred by it relating to the Remaining Business of the Demerged Company shall, for all purposes, be treated as the profits, or losses, as the case may be, of the Demerged Company;
- 8.3.4. All as sets 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
- 8.3.5. All liabilities (including contingent liabilities) loans, debts (whether secured or unsecured) raised or incurred, duties and obligations of every kind, nature and description whatsoever and howsoever arising or accruing in relation to the Remaining Business shall belong to and continue to remain vested in the Demerged Company.

PART V

CONSIDERATION AND ACCOUNTING TREATMENT

9. CONSIDERATION

- 9.1. In consideration of the transfer and vesting of the Demerged Undertaking in accordance with the provisions of this Scheme, the paid-up share capital of the Resulting Company shall be increased in the manner set out in this Clause.
- 9.2. Upon the Scheme becoming effective and in consideration of the demerger including the transfer and vesting of the Demerged Undertaking in the Resulting Company, the Resulting Company shall, without any further application or deed, for every 461 (Four Hundred and Sixty One) fully paid-up equity shares of the Demerged Company, issue and allot to each member of the Demerged Company (other than Resulting Company and/or any subsidiary of Resulting Company) whose name appears in the register of members of the Demerged Company as on the Record Date or to his/her heirs, executors, administrators or the successors-in-title, as the case may be, subject to the provisions of Clause 9.3 below, 1 (One) fully paid-up ordinary (equity) share of Rs 5 each, of the Resulting Company. For this purpose the number of shares held by the shareholders/members of Demerged Company before reorganisation of share capital as referred in clause 6.2.2 will be considered. For the purposes of the allotment referred to in this Clause, fractional entitlements shall be rounded-off to the next higher whole number.
- 9.3. The ordinary (equity) shares to be issued by the Resulting Company pursuant to Clause 9.2 above shall be issued in dematerialised form, provided that the members of the Demerged Company have an account with a depository participant and provided details thereof and such other confirmations as may be required are furnished by such members of the Demerged Company to the Resulting Company on or before the Record Date.
- 9.4. The ordinary (equity) shares of the Resulting Company to be issued to the members of the Demerged Company pursuant to Clause 9.2 above shall be subject to the memorandum and articles of association of the Resulting Company and shall rank pari passu in all respects, including dividend, with the existing ordinary (equity) shares of the Resulting Company.
- 9.5. The ordinary (equity) shares of the Resulting Company are listed and admitted to trading on the Stock Exchanges. The Resulting Company shall enter into such arrangements and

give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the Stock Exchanges with respect to the issue of ordinary (equity) shares under this Scheme. On such formalities being fulfilled, the Stock Exchanges shall list and/or admit such equity shares issued pursuant to this Scheme, for the purpose of trading. The ordinary (equity) shares allotted pursuant to Clause 9.2 shall remain frozen in the depositories system till listing /trading permission is given by the Stock Exchanges, respectively and shall be subject to such lock-in as may be prescribed by the Stock Exchange and/or other Governmental Authorities.

- 9.6. The issue and allotment of ordinary (equity) shares by the Resulting Company, to the shareholders of Demerged Company as provided in Clause 9.2 is an integral part of the Scheme and shall be deemed to have been carried out as if the procedure laid down under Section 62(1)(c) of the Companies Act, 2013 and any other applicable provisions of the Act, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and all other relevant Rules, Regulations and Laws for the time being in force were duly complied with.

10. IN THE BOOKS OF MTWL

- 10.1. The assets and the liabilities of MTWL being transferred to the Resulting Company after giving effect to clause 6.1.1 of Part II of the Scheme shall be transferred at values appearing in the books of account of MTWL as on the Appointed Date;
- 10.2. The excess of assets over liabilities transferred under clause 10.1 above, shall be debited to Reserves (Balance in Profit & Loss Account) of MTWL. In case of deficit, the same shall be credited to capital reserve.

11. IN THE BOOKS OF THE RESULTING COMPANY

- 11.1. On the Scheme becoming effective, the Resulting Company shall account for the demerger of the Two Wheelers Undertaking in its books of account with effect from the Appointed Date as under:
- 11.1.1. The Resulting Company shall account for the demerger in accordance with "Pooling of Interest Method" laid down by Appendix C of Ind AS 103 (Business combinations of entities under common control) notified under the provisions of the Companies Act, 2013.
- 11.1.2. All the assets and liabilities, after giving effect to clause 6.1.1 of Part II of the Scheme pertaining to the Two Wheelers Undertaking, transferred to the Resulting Company under the Scheme shall be recorded in the books of the Resulting Company at the value and in the same form as recorded in the books of MTWL as on the Appointed Date;
- 11.1.3. Pursuant to clause 9.2 of the Scheme, the consideration issued to the shareholders of the Demerged Company (other than Resulting Company and/or any subsidiary of Resulting Company) in the form of equity shares of the Resulting Company shall be credited to share capital account at the nominal value of the equity shares issued by it;
- 11.1.4. If and to the extent there are inter-corporate loans, deposits or balances as between the Resulting Company and Two Wheelers Undertaking, the obligations in respect thereof

shall, on and from the Appointed Date, shall stand cancelled and there shall be no obligation/outstanding in that behalf.

11.1.5. The deficit/surplus arising after recording the entries contained in clause 11.1.2 and clause 11.1.3 above shall be transferred to Capital Reserve.

11.1.6. In case of any difference in accounting policies between the Two Wheelers Undertaking and the Resulting Company, the impact of the same till the Appointed Date will be quantified and adjusted to the Reserves of the Resulting Company to ensure that the financial statements of the Resulting Company reflect the financial position on the basis of consistent accounting policies.

11.1.7. All costs and expenses incurred in connection with the Scheme and to put it into operation and any other expenses or charges attributable to the implementation of the Scheme shall be debited to the statement of profit and loss of the Resulting Company.

11.2. Comparative accounting period presented in the financial statements of Resulting Company shall be restated for the accounting impact of demerger, as stated above, as if the demerger had occurred from the beginning of the comparative period in the financial statements.

PART VI

GENERAL TERMS & CONDITIONS

12. RECLASSIFICATION OF AUTHORISED SHARE CAPITAL OF THE RESULTING COMPANY AND DEMERGED COMPANY

12.1. Authorised share capital of M&M

12.1.1. As an integral part of the Scheme and upon effectiveness of the Scheme, an amount of Rs 3450,00,00,000 (Rupees Three Thousand Four Hundred and Fifty Crore only) shall stand transferred from the authorised equity share capital of the Demerged Company to the authorised equity share capital of the Resulting Company and upon transfer of the amount of Rs 3450,00,00,000 (Rupees Three Thousand Four Hundred and Fifty Crore only) from the authorised equity share capital of the Demerged Company to the authorised equity share capital of the Resulting Company, the authorised equity share capital of the Resulting Company shall stand enhanced to Rs 4075,00,00,000 (Rupees Four Thousand and Seventy Five Crore only) divided into 810,00,00,000 (Eight Hundred and Ten Crore) Ordinary (Equity) shares of face value of Rs 5 (Rupees Five) each and 25,00,000 (Twenty Five Lakhs) Unclassified Shares of Rs 100 each, pursuant to Sections 13, 14 and 61 of the Companies Act, 2013 and other applicable provisions of the Act, as the case may be, without any further act, instrument or deed by the Resulting Company and without any liability for payment of any additional fees or stamp duty in respect of such increase as the stamp duty and fees has already been paid by the Demerged Company on such authorised equity share capital, the benefit of which stands vested in the Resulting Company pursuant to the Scheme becoming effective on the Effective Date.

12.1.2. Subsequent to enhancement of the authorized equity share capital of the Resulting Company as contemplated herein, Clause V of the Memorandum of Association of the Resulting Company shall stand modified and read as follows:

"The Authorised Share Capital of the Company is Rs 4075,00,00,000 (Rupees Four Thousand and Seventy Five Crore only) divided into 810,00,00,000 Ordinary (Equity) Shares of Rs.5 each and 25,00,000 Unclassified Shares of Rs. 100 each, with such ordinary preferential or deferred rights, privileges and other conditions attaching thereto as may be provided by the regulations of the Company for the time being in force and operation with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being original or increased into different classes and to consolidate or sub-divide such Shares and to convert Shares into Stock and reconvert the Stock into Shares and to attach to such Shares or Stock such ordinary preferential or deferred rights, privileges and other conditions as may be provided by the regulations of the Company for the time being in force and operation."

12.2. Authorised share capital of MTWL

12.2.1. Upon the scheme becoming effective, the existing authorised share capital of Rs3500,00,00,000 (Rupees Three Thousand Five Hundred Crore) consisting of 350,00,00,000 (Three Hundred and Fifty Crore) equity shares of Rs.10/- each shall stand reclassified as equity share capital of Rs. 50,00,00,000 (Rupees Fifty Crore) consisting of 2500,00,00,000 (Two thousand Five Hundred Crore) equity shares of Rs 0.02/- each pursuant to Section 13, 14, 61 of the Companies Act, 2013 and other applicable provisions of the Act, as the case may be without any further act, instrument or deed.

12.2.2. Upon the sanction of the Scheme, the Clause V of the Memorandum of Association of MTWL shall be read as:

"The Authorised Share Capital of the Company is Rs. 50 Crore (Rupees Fifty Crore) divided into 2500,00,00,000 equity shares of Re. 0.02/- each with power to increase and/or reduce the capital of the Company."

13. TAX ASPECTS

13.1. This Scheme is in compliance with the conditions relating to "Demerger" as specified under Section 2(19AA) and Section 72A(4) of the Income-tax Act, 1961 such that:

13.1.1. The transfer of the Two Wheelers Undertaking will be on a going concern basis with effect from the Appointed Date.

13.1.2. If any terms or provisions of the Scheme is/are inconsistent with the provisions of Section 2(19AA) and Section 72A(4) of the Income-tax Act, 1961, the provisions of Section 2(19AA) and Section 72A(4) of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent necessary to comply with Section 2(19AA) and Section 72A(4) of the Income-tax Act, 1961 as on the Appointed Date; such modification shall not affect other parts of the Scheme.

13.2. Upon Scheme becoming effective, it is clarified that all the taxes and the duties payable by the Demerged Company, relating to the Demerged Undertaking, from the Appointed Date onwards, including all advance taxes, tax deduction at source, tax liabilities, or any refunds or claims shall, for all purpose, be treated as advance tax payments, tax deduction at source, tax liabilities, refunds or claims of the Resulting Company. Accordingly, upon the Scheme becoming effective, the Demerged Company, is expressly, permitted to revise and

file and the Resulting Company is expressly permitted to revise and file their respective, income tax returns including tax deduction at source certificates, sales tax/value added tax returns, excise return, service tax returns, and other tax returns, and to claim refund/credit, pursuant to the provisions of this Scheme.

- 13.3. In accordance with the relevant central or state legislation dealing with indirect taxes, as are prevalent on the Effective Date, the unutilized credit relating to excise duties and value added taxes paid on inputs/capital goods lying to the account of the Demerged Undertaking, shall be permitted to be transferred to the credit of the Resulting Company, as if such unutilized credits were lying to the account of the Resulting Company. The Resulting Company shall accordingly be entitled to set off all such credits against excise duty / applicable valued added tax payable by it.
- 13.4. Upon the Scheme becoming effective, any TDS deposited, TDS certificates issued or TDS returns filed by the Demerged Company pertaining to the Demerged Undertaking shall continue to hold good as if such TDS amounts were deposited, TDS certificates were issued and TDS returns were filed by the Resulting Company.
- 13.5. The obligation for deduction of tax at source on any payment made by or to be made by the Demerged Company pertaining to the Demerged Undertaking under the Income Tax Act, 1961, service tax laws, central sales tax, state value added tax or other applicable laws and/or regulations dealing with taxes, duties or levies shall be deemed to have been made and duly complied with on behalf of the Resulting Company.

14. SECURITY

- 14.1. The transfer and vesting of the Demerged Undertaking as aforesaid shall be subject to the existing securities, charges, mortgage and other encumbrances if any, subsisting over or in respect of the property and assets or any part thereof to the extent that such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Demerged Undertaking. It is agreed by and between the Demerged Company and the Resulting Company, that pursuant to the demerger, necessary steps shall be taken in order to effect the change/ modification of charges, if any, in the records of the Registrar of Companies.
- 14.2. It is clarified that unless otherwise determined by the Board of Directors of the Resulting Company, in so far as the assets comprising the Demerged Undertaking are concerned:
- the security or charge relating to loans or borrowings of the Demerged Company, in relation to the Demerged Undertaking, shall without any further act or deed continue to relate to the said assets only after the Appointed Date and the said assets shall not relate to or be available as security in relation to any other borrowings of the Demerged Company;
- 14.3. Similarly, the security or charge relating to loans or borrowings of the Demerged Company, in relation to the Demerged Undertaking, shall continue to relate to the said assets only after the Appointed Date and shall not relate to or be available as security in relation to any other borrowings of the Resulting Company and vice versa;
- 14.4. The other assets of the Demerged Company shall not relate to or be available as security in relation to the said borrowings of the Demerged Company, in relation to the Demerged Undertaking; and

- 14.5. The Demerged Company may enter into such alternate arrangements with the lenders pursuant to the release of security as per the provisions mentioned herein.

15. TRANSFER AT BOOK VALUES

All the assets, properties and the liabilities of the Demerged Undertaking being transferred by the Demerged Company shall be transferred at values appearing in its books of accounts (ignoring revaluation) of the Demerged Company, immediately before the demerger on the Appointed Date.

16. EMPLOYEES

- 16.1. On and from the Effective Date, all permanent employees relating to the Demerged Undertaking, as were employed by the Demerged Company, immediately before such date, shall become the employees of the Resulting Company with the benefit of continuity of service and without any break or interruption in service. It is clarified that the employees of the Demerged Undertaking, who become employees of the Resulting Company by virtue of this Scheme, shall continue to be governed by the same terms of employment as were applicable to them immediately before the demerger. The Resulting Company undertakes to abide by any agreement/settlement, if any, entered into by the Demerged Company with any of its respective employees thereof. The Resulting Company further agrees that for the purpose of payment of any retrenchment compensation, or any other benefits and incentives, if any, such past services with the Demerged Company shall be taken into account.
- 16.2. It is expressly provided that, on the Scheme becoming effective, the provident fund, gratuity fund, superannuation fund created or any other special fund existing for the benefit of the employees of the Demerged Company, in relation to the Demerged Undertaking shall become the funds of the Resulting Company, for all purposes whatsoever in relation to the administration or operation of such fund(s) or in relation to the obligation to make contributions to the said fund(s) 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 Demerged Company, in relation to the Demerged Undertaking in relation to such fund(s) shall become those of the Resulting Company. These funds shall, subject to the necessary approvals and permissions and at the discretion of the Resulting Company, either be continued as separate funds of the Resulting Company for the benefit of the employees of the Demerged Undertaking or be transferred to and merged with other similar funds of the Resulting Company. It is clarified that the services of the employees of the Demerged Company, in relation to the Demerged Undertaking shall be treated as having been continuous for the purpose of the said fund(s); and
- 16.3. With effect from the date of filing of this Scheme with the High Court and up to and including the Effective Date, the Demerged Company shall not vary or modify the terms and conditions of employment of any of its employees, except with the prior written consent of the Resulting Company.

17. BUSINESS AND PROPERTY IN TRUST

- 17.1. During the period between the Appointed Date and up to and including the Effective Date:
- 17.1.1. The Demerged Company shall be deemed to have been carrying on all the business and activities relating to the Demerged Undertaking and shall be deemed to hold and stand

possessed of the entire business and undertakings in relation to the Demerged Undertaking for and on account of and in trust, on behalf of the Resulting Company.

- 17.1.2. All the income or profits accruing or arising to the Demerged Company and all costs, charges, expenses or losses incurred by the Demerged Company, in relation to the Demerged Undertaking shall for all purposes of this demerger be treated as the income, profits, costs, charges, expenses and losses of the Resulting Company, as the case may be.
- 17.1.3. 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
- 17.1.4. The Demerged Company shall carry on the business pertaining to the Two Wheelers Undertaking with reasonable diligence and business prudence and shall not alter or diversify business within the Two Wheelers Undertaking nor venture into any new business (except for Remaining Business), nor alienate, charge, mortgage, encumber or otherwise deal with the assets or any part thereof except in the ordinary course of business without the prior written consent of the Resulting Company or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of this Scheme by the respective boards of directors of the Demerged Company and the Resulting Company.
- 17.2. The Demerged Company shall not utilise the profits or income in relation to the Demerged Undertaking for the purpose of declaring or paying any dividend in respect of the period falling on and after the Appointed Date, without the prior written consent of the Resulting Company.
- 17.3. The Resulting Company shall be entitled, pending the sanction of the Scheme, to apply to the Governmental Authorities or other appropriate forums as may be required under any applicable law, for such consents, approvals and sanctions which the Resulting Company may require.

18. PENDING PROCEEDINGS

- 18.1. All legal, administrative and other proceedings, of whatsoever nature pending in any court or before any authority, judicial, quasi judicial or administrative or any adjudicating authority and/or arising after the Appointed Date and relating to the Demerged Undertaking, or its respective properties, assets, debts, liabilities, duties and obligations shall be continued and/or enforced until the Effective Date by or against the Demerged Company; and from the Effective Date, shall be continued and enforced by or against the Resulting Company in the same manner and to the same extent as would or might have been continued and enforced by or against the Demerged Company, had the Scheme not been made. On and from the Effective Date, the Resulting Company shall have the right to initiate, defend, compromise or otherwise deal with any legal proceedings relating to the Demerged Undertaking, in the same manner and to the same extent as would or might have been initiated by the Demerged Company as the case may be, had the Scheme not been made; and
- 18.2. If any suit, appeal or other proceedings relating to the Demerged Undertaking, of whatever nature by or against the Demerged Company be pending, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of the demerger of the Demerged Undertaking or by anything contained in this Scheme but the proceedings may

be continued, prosecuted and enforced by or against the Resulting 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 Demerged Company as if this Scheme had not been made.

19. SAVING OF CONCLUDED TRANSACTIONS

The transfer of properties and liabilities and the continuance of proceedings by or against the Resulting Company, as envisaged under this Scheme, shall not affect any transaction or proceedings already concluded by the Demerged Company, in relation to the Demerged Undertaking on or after the Appointed Date till the Effective Date, to the end and intent that the Resulting Company accepts and adopts all acts, deeds and things done and executed by the Demerged Company, in relation to the Demerged Undertaking, as done and executed on behalf of itself.

20. VALIDITY OF EXISTING RESOLUTIONS, ADJUSTMENTS ETC.

All Resolutions passed by the Demerged Company so far as they relate to or to be done or caused to be done in relation to the Demerged Undertaking, shall be deemed to have been passed by the Resulting Company and deemed to have authorized any Director of the Resulting Company or such other person(s) as authorized by any two Directors of the Resulting Company to do all acts, deeds, things as may be necessary to give effect to these Resolutions, without any further acts to be done by the Resulting Company.

21. DECLARATION OF DIVIDEND

For the avoidance of doubt, it is hereby declared that nothing in the Scheme shall prevent the Resulting Company from declaring and paying dividends, whether interim or final, to its equity shareholders.

22. APPLICATION TO THE HIGH COURT

- 22.1. The Demerged Company shall and the Resulting Company, if required, shall make applications/ petitions to the High Court for sanction of this Scheme, under Sections 391 to 394 read with Sections 100 to 104 of the Companies Act 1956 and Section 52 of the Companies Act 2013 and other applicable provisions of the Act; and
- 22.2. Any dispute arising out of this Scheme shall be subject to the jurisdiction of the High Court.

23. CONDITIONALITY OF THE SCHEME

- 23.1. This Scheme is and shall be conditional upon and subject to:
- 23.1.1. The Scheme being approved by Directorate of Industries under part 1 of the 1993 Package Scheme of Incentives as notified under Government of Maharashtra resolution. The Scheme being agreed to by the requisite majority of the respective members and / or creditors of the Demerged Company and of the Resulting Company, in terms with the applicable provisions of the Act, directions of the High Court, regulations and guidelines issued by SEBI (if applicable), as amended and updated from time to time, and as may be considered necessary to give effect to the scheme.
- 23.1.2. The Scheme being approved by the Stock Exchanges;
- 23.1.3. The Scheme being approved by the High Court under Sections 391 to 394 read with Sections

100 to 104 of the Companies Act 1956 and Section 52 of the Companies Act 2013; and

- 23.1.4. The authenticated/ certified copy of the order of the High Court sanctioning this Scheme being filed with the Registrar of Companies, Maharashtra at Mumbai.

24. MODIFICATION OR AMENDMENTS TO THE SCHEME

The Demerged Company and the Resulting Company (acting through their Board of Directors, Committee thereof or any director or any other person authorised by the Board of Directors, Committee thereof to this effect) may assent to any modifications or amendments to this Scheme or to any conditions or limitations that the High Court may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by the respective Demerged Company and Resulting Company, including pursuant to the orders of the High Court and/or any other authorities as they may deem fit to direct or impose 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. The Demerged Company and the Resulting Company (acting through their Board of Directors, Committee thereof or any director or any other person authorised by the Board of Directors, Committee thereof to this effect) shall be 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 High Court or of any directions given by any other appropriate authorities or for any reason otherwise arising out of this Scheme and/or any matters concerning or connected herewith.

25. EFFECT OF NON-RECEIPT OF APPROVALS

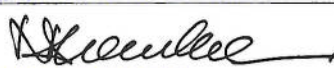
- 25.1. In case the Scheme is not approved by the High Court or any of the approvals or conditions enumerated in the Scheme have not been obtained or complied with, or for any other reason, if this Scheme cannot be implemented, then the board of directors of the Demerged Company and the Resulting Company shall mutually waive such conditions as they consider appropriate to give effect, as far as possible, to this Scheme and failing such mutual agreement, the Scheme shall become null and void and in such event no rights or liabilities whatsoever shall accrue to or be incurred by either the Resulting Company or the Demerged Company and each party shall bear their respective costs, charges and expenses in connection with this Scheme unless otherwise mutually agreed upon.
- 25.2. If any part of this Scheme hereof is invalid, held illegal by any court of competent jurisdiction, or unenforceable under any present or future laws, then it is the intention of the parties that such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the parties shall attempt to bring about a modification in the Scheme, as will best preserve for the parties the benefits and obligations of the Scheme, including but not limited to such part.

26. COSTS, CHARGES AND EXPENSES

Save and except as provided otherwise, all costs, charges, expenses, taxes including duties, levies in connection with the Scheme and its implementation thereof, and matters incidental thereto, shall be borne by the Resulting Company.

CERTIFIED TRUE COPY
For MAHINDRA & MAHINDRA LIMITED

(19)


NARAYAN SHANKAR
COMPANY SECRETARY