

**SCHEME OF ARRANGEMENT AND DEMERGER**

**BETWEEN**

**JINDAL SAW LIMITED  
AND ITS SHAREHOLDERS AND CREDITORS**

**AND**

**HEXA TRADEX LIMITED  
AND ITS SHAREHOLDERS AND CREDITORS**

## PART-I

### 1. INTRODUCTION AND DEFINITIONS

#### 1.1 Introduction

1.1.1 JINDAL SAW LIMITED ("**Jindal Saw**" or the "**Transferor Company**") is an existing company within the meaning of the Companies Act, 1956, having its registered office at A1, UPSIDC Industrial Area, Nandgoan Road, Kosi Kalan District, Mathura, Uttar Pradesh – 281403. Jindal Saw was incorporated on 31 October 1984 and its name was changed from Saw Pipes Limited to its present name "Jindal Saw Limited", on 11 January 2005.

1.1.2 Jindal Saw is listed on the National Stock Exchange of India and the Bombay Stock Exchange. Further, the Foreign Currency Convertible Bonds ("**FCCBs**") issued by Jindal Saw are listed on the Singapore Exchange Securities Trading Limited.

1.1.3 Currently, Jindal Saw is engaged in primarily three distinct and diverse business activities through the following undertakings, namely:

(a) Pipe manufacturing business undertaking – business of manufacturing of large diameter pipes and coating of pipes, seamless tubes, and Ductile Iron (DI) pipes ("**Pipe Manufacturing Business**");

(b) Other manufacturing, infrastructure management and allied businesses undertaking - business of water, waste water and solid waste management, domestic transportation and logistics and transportation equipment fabrication as well as steel strip rolling business ("**Other Manufacturing and Infrastructure Management Business**"); and

(c) Investment business undertaking - investment business that includes investments in shares and other securities of group companies and granting of loans and advances to group companies ("**Investment Undertaking**").

(the Pipe Manufacturing Business and Other Manufacturing and Infrastructure Management Businesses collectively referred to as the ("**Core Business**"))

The above business activities is either carried out by Jindal Saw directly and / or through Jindal Saw's subsidiaries.

1.1.4 Hexa Tradex Limited (the "**Transferee Company**") is a company incorporated under the Companies Act, 1956, having its registered office at A-1, UPSIDC Industrial Area, Nandgaon Road, Kosi Kalan-281403, Distt. Mathura (UP). The Transferee Company is a wholly owned subsidiary of Jindal Saw and is authorized to engage in the business of *inter alia*:

(a) acting as an import and export agent, representative, contractor, selling agent, broker on a whole sale cash and carry basis for metals, minerals, iron and steel products, pipes, households items, general merchandise etc; and

(b) holding investments in other entities and to buy, invest in, acquire, hold shares, stocks, debentures, debenture stocks, bonds, and securities of any kind etc.

1.1.5 Each of the activities carried out by Jindal Saw is distinct and diverse in its business characteristics, growth trajectories, risk profiles and require entirely different approaches. With the end and intent of realigning the business operations undertaken by Jindal Saw, it is proposed to transfer and vest the Investment Undertaking in the Transferee Company, through the Scheme (as defined below), resulting in Jindal

Saw (Residual) (as defined below) engaged purely in the management and development of the Core Business.

1.1.6 The transfer and vesting of the Demerged Undertaking (as defined below) in the Transferee Company, shall be in the larger interest of the shareholders, creditors and employees of the Transferor Company and shall be in the interest of future growth of the Transferee Company. The transfer and vesting shall achieve the following benefits for the Transferor Company and the Transferee Company:

- (a) the demerger will enable Jindal Saw to focus and enhance its remaining business operations by streamlining operations and cutting costs;
- (b) the demerger will enable the better and more efficient management, control and running of the Investment Undertaking and the Core Business;
- (c) the demerger is in the interest of shareholders of Jindal Saw and will enable both Jindal Saw and the Transferee to achieve and fulfill their objectives more efficiently and offer opportunities to the management of both the companies to vigorously pursue growth and expansion opportunities;
- (d) the demerger will enable investors to separately hold investments which best suit their investment strategies and risk profiles; and
- (e) the demerger of Investment Undertaking would result in issuance of equity shares to the shareholders of the Company by the Transferee, thereby, resulting in unlocking and maximizing shareholder value.

1.1.7 The shareholding pattern of the Transferee Company pursuant to the proposed demerger of the Demerged Undertaking would be the mirror image of the existing

shareholding pattern of Jindal Saw (pre-demerger) as the new shares of Transferee Company would be issued to the existing shareholders of Jindal Saw in proportion to their shareholding in Jindal Saw.

1.1.8 The demerger of the Demerged Undertaking in accordance with this Scheme shall take effect from the Appointed Date and shall be in accordance with Section 2(19AA) of the Income Tax Act, 1961.

1.1.9 Since the Transferee Company is a wholly owned subsidiary of Jindal Saw, the vesting of Demerged Undertaking from Jindal Saw to the Transferee Company is exempt from payment of stamp duty under the Finance Department Notification No.M.599/X – 501, dated March, 25, 1942 (which is applicable to the State of Uttar Pradesh) remitting stamp duty payable for vesting of property between a parent company and a subsidiary company, one of which is the beneficial owner of not less than 90 percent of the issued share capital of the other.

## 1.2 Definitions & Interpretations

**In this Scheme, unless repugnant to the subject or meaning or context thereof, the following expressions shall have the meaning as mentioned hereinbelow:**

**“Act”** means the Companies Act, 1956 (Act No. 1 of 1956), the rules and regulations made thereunder and will include any statutory modification or re-enactment thereof.

**“Appointed Date”** means January 1, 2011.

**“Board of Directors”** in relation to Jindal Saw, Jindal Saw (Residual) and/or the Transferee Company, as the case may be, means their respective board of directors and shall, unless repugnant to the context or otherwise, include a

committee of directors or any person authorized by the Board of Directors or such committee of directors.

**"Core Business"** has the meaning assigned to it in Clause 1.1.3.

**"Demerged Undertaking"** means the Investment Undertaking of Jindal Saw and includes the business of investments in shares and other securities of group companies and granting of loans and advances to group companies, on a going concern basis as on the Appointed Date Without prejudice and limitation to the generality of the above, the Demerged Undertaking shall mean and include:

- (a) All assets wherever situated, tangible or intangible, including all current assets, deposits including accrued interest, loans and advances (including without limitation investment in shares in the Group Companies and loans and advances to the Group Companies) together with all present and future liabilities (including contingent liabilities) appertaining or relatable thereto;
- (b) any and all permits, rights, entitlements, allotments, approvals, consents, concessions, exemptions, liberties, advantages, no-objection certificates, certifications, registrations, trade names, trademarks, service marks, copyrights, domain names, easements, goodwill, licences, tenancies, offices, sales tax credits, income tax credits, privileges and benefits of all contracts, agreements, and all other rights including lease rights, licences, powers and facilities of every kind and description whatsoever pertaining to the said Demerged Undertaking;
- (c) any and all earnest monies and/or security deposits, payment against warrants or other entitlements in

connection with or relating to the said Demerged Undertaking;

- (d) all such permanent employees of Jindal Saw on the Appointed Date as are engaged in or in relation to the said Demerged Undertaking; and
- (e) any and all debts, borrowings, guarantees, assurances, commitments, obligations and liabilities, whether fixed, contingent or absolute, asserted or unasserted, present or future, whether secured or unsecured, pertaining to the said Demerged Undertaking.

The details of the Investment Undertaking being demerged is provided in **Schedule I** hereto.

**"Effective Date"** means the date on which the last of the events specified in Clause 5.11 of Part V of the Scheme has occurred and the Scheme made effective with effect from the Appointed Date.

**"FCCBs"** has the meaning assigned to it in Clause 1.1.2 hereof.

**"Group Companies"** means Hexa Securities and Finance Company Limited, JSW Steel Limited, Jindal South West Holdings Limited, Rohit Tower Building Limited, and Sona Bheel Tea Limited.

**"High Court"** means the Hon'ble High Court of Allahabad.

**"Investment Undertaking"** has the meaning assigned to it in Clause 1.1.3 hereof.

**"Jindal Saw"** or **"Transferor Company"** has the meaning assigned to it in Clause 1.1.1 above.

**"Jindal Saw (Residual)"** is the term used to refer to the residual Jindal Saw, as would emerge immediately after the transfer and vesting of the Demerger Undertaking in the Transferee Company.

**"NCLT"** has the meaning as assigned to it in Clause 1.4 hereof.

**"Record Date"** has the meaning as assigned to it in Clause 4.2 hereof.

**"Scheme"** means this Scheme of Arrangement and Demerger in its present form, with or without modifications, as may be approved for sanction by the Hon'ble High Court.

**"Transferee Company"** has the meaning assigned to it in Clause 1.1.4 above.

- 1.3 Any references in this Scheme to "upon this Scheme becoming effective" or "effectiveness of this Scheme" shall mean the Effective Date.
- 1.4 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, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 (including the Regulations made thereunder), the Depositories Act, 1996, the Income Tax Act, 1961 and other applicable laws, rules, regulations, bye-laws, as the case may be, including any statutory modification or re-enactment thereof, from time to time. In particular, wherever reference is made to the Hon'ble High Court in this Scheme, the reference would include, if appropriate, reference to the National Company Law Tribunal ("**NCLT**") or such other forum or authority, as may be vested with any of the powers of a High Court under the Act.





<b>PART-II</b>
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## 2. CAPITAL STRUCTURE

2.1 The capital structure of Jindal Saw, as on 30<sup>th</sup> September 2010 is as under:

<b>A. Authorized Share Capital</b>	<b>Amount in Rs.</b>
500,000,000 Equity Shares of Rs. 2/- each	1,000,000,000
10,000,000 Cumulative Redeemable Preference Shares of Rs. 100/- each	1,000,000,000
<b>Total</b>	<b>2,000,000,000</b>

<b>B. Issued and Subscribed Share Capital</b>	
276,230,771 Equity Shares of Rs. 2/- each	552,461,542
<b>Total</b>	<b>552,461,542</b>

<b>C. Paid up Share Capital</b>	
276,226,771 Equity Shares of Rs. 2/- each	552,453,542
4,000 Equity Shares of Rs. 2/- each (partly paid up Rs 1 each, forfeited shares)	4,000
<b>Total</b>	<b>552,457,542</b>

2.2 The capital structure of the Transferee Company, as on 31<sup>st</sup> October 2010 is as under:

<b>A. Authorized Share Capital</b>		<b>Amount in Rs.</b>
250,000 Equity Shares of Rs. 2/- each		5,00,000
	<b>Total</b>	5,00,000

<b>B. Issued, Subscribed and paid up Share Capital</b>		
250,000 Equity Shares of Rs. 2/- each		5,00,000
	<b>Total</b>	5,00,000

## **PART-III**

### **3. DEMERGER, TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING IN THE TRANSFEREE COMPANY**

3.1 *Upon this Scheme becoming effective and with effect from the Appointed Date, the Demerged Undertaking of Jindal Saw shall stand demerged and transferred (as a going concern) and be vested in and be managed by the Transferee Company, without any further deed or act, together with all its properties, assets, rights, benefits and interest therein, subject to existing charges, lien or lis pendens, if any thereon, in the manner described hereunder.*

3.2 *Without prejudice to the generality of the foregoing, upon the Scheme becoming effective, with effect from the Appointed Date:*

(i) *any and all assets relating to the Demerged Undertaking, as are movable in nature or incorporeal property or are otherwise capable of transfer by manual delivery or by endorsement and delivery or by delivery instructions in relation to dematerialized shares or transfer by vesting and recordal pursuant to this Scheme shall stand transferred to and vested in the Transferee Company and shall become the property and an integral part of the Transferee Company. The vesting pursuant to this sub-clause shall be deemed to have occurred by manual delivery or endorsement and delivery or by delivery instructions in relation to dematerialized shares or by vesting, as appropriate to the property being vested and title to the property shall be deemed to have been transferred accordingly. No stamp duty shall be payable on the transfer of such movable properties (including shares and other*

*investments, which are in dematerialised form) forming part of the Demerged Undertaking and being vested in the Transferee Company;*

- (ii) any and all movable properties of Jindal Saw relating to the Demerged Undertaking, other than those specified in sub-clause (i) above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons shall without any further act, instrument or deed become the property of the Transferee Company;*
- (iii) any and all debts, liabilities, contingent liabilities, duties and obligations of Jindal Saw relating to the Demerged Undertaking, whether secured or unsecured, whether provided for or not or disclosed in the books of accounts of Jindal Saw, shall stand transferred to and be deemed to be the debts, liabilities, contingent liabilities, duties and obligations of the Transferee Company. The Transferee Company undertakes to meet, discharge and satisfy the same to the exclusion of Jindal Saw. It is hereby clarified that it shall not be necessary to obtain the consent of any third party or other person, who is a party to any contract or arrangement by virtue of which such debts, liabilities, duties and obligations have arisen in order to give effect to the provisions of this Clause.*

*Where any of the loans, liabilities and obligations attributed to the Demerged Undertaking on or after the Appointed Date have been discharged by Jindal Saw on behalf of the Demerged Undertaking after the Appointed Date but before the Effective Date, such discharge shall be deemed to have been discharged by*

*Jindal Saw for and on behalf of the Transferee Company;*

- (iv) any and all contracts, memoranda of undertakings, memoranda of agreements, memoranda of agreed points, undertakings, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever description and nature in relation to the Demerged Undertaking to which Jindal Saw is a party or to the benefit of which, the Demerged Undertaking may be eligible and which are subsisting or having effect immediately before the Effective Date, shall stand vested and transferred to the Transferee Company and be in full force and effect on or against or in favour of the Transferee Company and may be enforced by or against it as fully and effectually as if, instead of Jindal Saw, the Transferee Company had been a party or beneficiary or obligee thereto;*
  
- (v) any and all registrations, goodwill, licenses, trademarks, trade names, service marks, patents, copy rights, domain names and all such rights of whatsoever description and nature in relation to the Demerged Undertaking to which Jindal Saw is a party or to the benefit of which the Demerged Undertaking may be eligible and which are subsisting or having effect immediately before the Effective Date, shall stand vested and transferred to the Transferee Company and be and remain in full force and effect in favour of the Transferee Company and may be enforced by or against it as fully and effectually as if, instead of Jindal Saw, the Transferee Company had been a party or beneficiary or obligee thereto;*
  
- (vi) any and all statutory or regulatory licenses, no-objection certificates, permissions, approvals, consents, quotas, rights, entitlements, exemptions, registrations,*

*certificates, licenses including those relating to privileges, powers, facilities of every kind and description of whatsoever nature and the benefits thereto in relation to the Demerged Undertaking which are subsisting or having effect immediately before the Effective Date, shall stand vested in and be transferred to the Transferee Company, without any further act or deed done by Jindal Saw or the Transferee Company and be in full force and effect in favour of the Transferee Company. If the consent or recordal of any licensor or authority is required to give effect to the provisions of this Clause, the said licensor or authority shall make and duly record the necessary substitution/endorsement in the name of the Transferee Company pursuant to the sanction of the Scheme by the Hon'ble High Court, and upon the Scheme becoming effective in accordance with the terms hereof.*

With effect from the Appointed Date, any such statutory and regulatory no-objection certificates, licenses, permissions, consents, approvals, authorizations or registrations, as are jointly held for the Demerged Undertaking and the Jindal Saw (Residual) shall be deemed to constitute separate licenses, permissions, no-objection certificates, consents, approvals, authorities, registrations or statutory rights, and the relevant or concerned statutory authorities and licensors shall endorse and/or mutate/substitute or record the separation, upon filing of this Scheme (as sanctioned by the High Court) with such authorities and licensors after this Scheme becomes effective, so as to facilitate the continuation of operations in the Transferee Company;

- (vii) all permanent employees of Jindal Saw, engaged in or in relation to the Demerged Undertaking shall be engaged by the Transferee Company, without any

interruption of service and on such terms and conditions, as are no less favourable than those on which they are currently engaged by Jindal Saw.

With regard to provident fund, employee state insurance contribution, gratuity fund, superannuation fund, staff welfare scheme or any other special schemes or benefits created or existing for the benefit of such employees of Jindal Saw, the Transferee Company shall, upon this Scheme becoming effective and with effect from the Appointed Date, stand substituted for Jindal Saw for all purposes whatsoever, including with regard to the obligation to make contributions to the said funds and schemes, in accordance with the provisions of such schemes or funds in the respective trust deeds or other documents. The existing provident fund, employee state insurance contribution, gratuity fund, superannuation fund, the staff welfare scheme and any other schemes or benefits created by Jindal Saw for such employees of the Demerged Undertaking shall be continued on the same terms and conditions or be transferred to the existing provident fund, employee state insurance contribution, gratuity fund, superannuation fund, staff welfare scheme, etc., being maintained by the Transferee Company. Pending such transfer, the contributions required to be made in respect of such employees shall continue to be made by the Transferee Company to the existing funds maintained by Jindal Saw.

*The Transferee Company agrees that for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits to the permanent employees engaged in or in relation to the Demerged Undertaking, the past services of such employees with Jindal Saw shall also be taken into account and agrees and undertakes to pay the same as and when payable.*



*The Transferee Company shall continue to abide by any agreement(s)/ settlement(s) entered into with any labour unions/employees by Jindal Saw in relation to the Demerged Undertaking;*

- (viii) the Transferee Company shall bear the burden and the benefits of any legal or other proceedings relating to or in connection with the Demerged Undertaking, initiated by or against Jindal Saw. If any suit, appeal or other proceedings relating to the Demerged Undertaking, of whatsoever nature by or against Jindal Saw be pending, the same shall not abate, be discontinued or in anyway be prejudicially affected by reason of this Scheme and the proceedings may be continued, prosecuted and enforced, by or against the Transferee Company in the same manner and to the same extent as they would or might have been continued, prosecuted and enforced by or against Jindal Saw, as if this Scheme had not been made. The Transferee Company also undertakes to deal with all legal or other proceedings, which may be initiated by or against Jindal Saw or the Transferee Company after the Appointed Date but relating to the Demerged Undertaking, in respect of the period up to the Effective Date, in its own name and account and to the extent possible, to the exclusion of Jindal Saw. The Transferee Company further undertakes to pay all amounts including interest, penalties, damages, etc., which may be called upon to be paid or secured in respect of any liability or obligation relating to the Demerged Undertaking for the period up to the Effective Date. Any reasonable costs incurred by Jindal Saw, in respect of the proceedings started by or against it relating to the Demerged Undertaking and for the period up to the Effective Date shall be reimbursed by the Transferee Company, upon submission of necessary evidence of

having incurred such costs by Jindal Saw to the Transferee Company; and

- (ix) all taxes, duties, cess payable by Jindal Saw relating to the Demerged Undertaking including all or any refunds/credit/claims relating thereto shall be treated as the liability or refunds/credit/claims, as the case may be, of the Transferee Company.

3.3 *Upon the Scheme becoming effective, the secured creditors of Jindal Saw, relating to the Jindal Saw (Residual) shall not be entitled to security over properties, assets, rights, benefits and interest of the Transferee Company.*

3.4 *Jindal Saw and/or the Transferee Company, as the case may be, shall at any time after the coming into effect of this Scheme and in accordance with the provisions hereof, if so required under any law or otherwise, shall execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement in relation to the Demerged Undertaking to which Jindal Saw has been a party, in order to give formal effect to the above provisions. The Transferee Company shall, under the provisions of this Scheme, be deemed to be authorized to execute any such writings on behalf of Jindal Saw and to carry out or perform all such formalities or compliances referred to above on part of Jindal Saw.*

### 3.5 Conduct of Business

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

- (a) Jindal Saw undertakes to carry on and shall be deemed to carry on all businesses and activities and stand possessed of the properties and assets of the Demerged Undertaking, for and on account of and in trust for the Transferee Company; and

- (b) Jindal Saw shall carry on the business of the Demerged Undertaking with reasonable diligence and business prudence and in the same manner as it had been doing hitherto and shall not in respect of the said undertaking, undertake any additional financial commitments of any nature whatsoever, borrow any amounts or incur any other liabilities or expenditure, issue any additional guarantees, indemnities, letters of comfort or commitment, either for itself or its group companies or any third party, or sell, transfer, alienate, charge, mortgage or encumber or deal, except:
- (i) when the same is expressly provided in this Scheme; or
  - (ii) when the same is in the ordinary course of business, as carried on by it as on the date of filing of this Scheme in the Hon'ble High Court; or
  - (iii) when a written consent of the Transferee Company has been obtained in this regard.
- (c) except by mutual consent of the Boards of Directors of Jindal Saw and the Transferee Company and subject to changes pursuant to commitments, obligations or arrangements made prior to the Appointed Date, or as part of this Scheme, pending sanction of this Scheme, Jindal Saw and the Transferee Company shall not make any change in their respective capital structure either by any increase (by issue of equity shares, bonus shares, convertible debentures or otherwise), decrease, reduction, reclassification, sub-division or consolidation, re-organisation, or in any other manner effect the reorganisation of capital of Jindal Saw and the Transferee Company; and

- (d) Jindal Saw shall not alter or substantially expand the business of the Demerged Undertaking, except with the written concurrence of the Transferee Company; and
- (e) all profits accruing to Jindal Saw and all taxes thereon or losses arising or incurred by it with respect to the Demerged Undertaking shall, for all purposes, be treated as and deemed to be the profits, taxes or losses, as the case may be, of the Transferee Company.

3.5.2 *With effect from the Effective Date, the Transferee Company shall commence and carry on and shall be authorized to carry on the businesses of the Demerged Undertaking.*

3.5.3 *For the purpose of giving effect to the demerger order passed under Sections 391 and 394 of the Act in respect of this Scheme by the Hon'ble High Court, the Transferee Company shall, at any time pursuant to the order on this Scheme, be entitled to get the recordal of the change in the legal right(s) upon the demerger of the Demerged Undertaking in accordance with the provisions of Sections 391-394 of the Act. The Transferee Company shall be authorized to execute any pleadings, applications, forms etc., as are required to remove any difficulties and carry out any formalities or compliance as are necessary for the implementation of this Scheme.*

3.5.4 *The Transferee Company unconditionally and irrevocably agrees and undertakes to pay, discharge and satisfy all the liabilities and obligations of the Demerged Undertaking of Jindal Saw with effect from the Appointed Date, in order to give effect to the foregoing provisions.*

## **PART-IV**

### **4. CONSIDERATION AND ACCOUNTING TREATMENT**

#### **4.1 Increase in Authorised share capital of the Transferee Company**

4.1.1 Upon this Scheme coming into effect and with effect from the Appointed Date, the authorized share capital of the Transferee Company of Rs. 5,00,000/- (Rupees Five Lacs) divided into 2,50,000 equity shares of Rs. 2/- (Rupees Two) each, in terms of Clause V of its Memorandum of Association shall stand enhanced by an amount of Rs. 14,95,00,000/- (Fourteen Crores Ninety Five Lacs).

4.1.2 Accordingly, the words and figures in Clause V of the Memorandum of Association of the Transferee Company shall stand modified and be substituted to read as follows:

*"The Authorized Share Capital of the Company is Rs. 15,00,00,000/- (Fifteen Crores) divided into 7,50,00,000 equity shares of Rs. 2/- (Rupees two) each and the Company shall have the power to issue shares at par or at a premium or at a discount and shall also have the power to increase or reduce its capital and to divide the capital for the time being into several classes and attach thereto respectively such preferential, qualified, deferred, non-voting or special rights, privileges, conditions or restrictions attached thereto and as may be permissible by law and as may be determined by or in accordance with the Articles of Association of the Company for the time being in force, and to vary, modify or abrogate such rights, privileges or conditions in such manner as may be permitted by law and as may be provided by the Articles of Association of the Company, for the time being in force."*

4.1.3 It is hereby clarified that for the purposes of this Clause 4.1, the consent of the shareholders of the Transferee Company to this Scheme shall be deemed to be sufficient for the purposes of effecting this amendment and that no further resolution under Section 16, Section 81, Section 94 or any other applicable provisions of the Act, would required to be separately passed.

#### 4.2 Consideration

Upon this Scheme becoming Effective, the Board of Directors of Jindal Saw (Residual) shall determine the record date ("**Record Date**"), which shall be later than the Effective Date, for issue and allotment of fully paid-up equity shares by the Transferee Company to the members of Jindal Saw (Residual) in accordance with this Clause and on determination of the Record Date, Jindal Saw (Residual) shall provide to the Transferee Company, the list of shareholders of Jindal Saw as on the Record Date who are entitled to the issue and allotment of the fully paid-up equity shares in terms of this Scheme, to enable the Transferee Company to issue and allot fully paid-up equity shares in terms of this Scheme.

Upon determination of the Record Date, the Transferee Company shall, in consideration of the transfer of the Demerged Undertaking, without further application, issue and allot to the equity shareholders of Jindal Saw as on the Record Date, 1 equity share of face value of Rs. 2/- (credited as fully paid-up) for every 5 fully paid-up equity shares of Rs. 2/- each held by them in Jindal Saw as on the Record Date.

It is clarified that an FCCB holder that elects to convert its FCCBs into equity shares in accordance with its terms, and who is a shareholder of Jindal Saw (Residual) as of the Record Date will be issued and allotted equity shares of the Transferee Company in accordance with this Clause.

### 4.3 Fractional Entitlements

In the event the aforesaid allotment of equity shares in accordance with Clause 4.2 results in fractional entitlements, the Board of Directors of the Transferee Company shall consolidate all such fractional entitlements and thereupon issue and allot whole equity shares in lieu thereof to the Company Secretary of the Transferee Company (or such other person as the Board of Directors of the Transferee Company shall appoint in this behalf), who shall hold such equity shares, in trust on behalf of the shareholders entitled to fractional entitlements, with the express understanding that such Company Secretary (or such other person as the Board of Directors of the Transferee Company appoints in this behalf) shall sell the same at such time, at such price or the prices and to such person or persons as he may deem fit and the net sale proceeds thereof (i.e. after deduction therefrom of expenses incurred in connection with the sale) shall be paid to the Transferee Company whereupon the Transferee Company shall distribute such net sale proceeds to the shareholders in proportion to their respective fractional entitlements. The Board of Directors of the Transferee Company, if it deems necessary, in the interests of allottees, approve such other method in this regard as it may, in its absolute discretion, deem fit.

### 4.4 **Shares held in abeyance and forfeited shares**

Equity shares to be issued by the Transferee Company pursuant to Clause 4.2 above in respect of the equity shares of Jindal Saw which are held in abeyance shall also be kept in abeyance. The equity shares to be issued by Jindal Saw in respect of shares held in abeyance shall be dealt by the Transferee Company based on information periodically provided by Jindal Saw to the Transferee Companies. The equity shares to be issued by the Transferee Company

pursuant to this Scheme in respect of the shares of Jindal Saw, which are forfeited shall also be kept in abeyance and dealt with by the Transferee Company based on information periodically provided by the Jindal Saw to the Transferee Companies.

4.5 All equity shares in the Transferee Company to be issued to the shareholders of Jindal Saw pursuant to this Scheme shall rank *pari passu* in all respects to the existing equity shares of the Transferee Company.

4.6 Each equity shareholder of Jindal Saw shall have the option, to be exercised by way of giving a notice to the Transferee Company, on or before such date, as may be determined by the Board of Directors of the Transferee Company, to receive the equity shares of the Transferee Company, either in certificate form or in dematerialized form. In the event that such notice has not been received by the Transferee Company in respect of any shareholder of Jindal Saw by the specified date or in the event of such a notice being incomplete, the shareholders of Jindal Saw who hold their equity shares in dematerialized form shall be issued equity shares of the Transferee Company in dematerialized form as per the records maintained by the Depositories as on the Record Date and those who hold shares in physical form shall be issued physical certificates. Wherever applicable, the certificates shall be sent by the Transferee Company to the shareholders of Jindal Saw at their respective registered addresses, as appearing in the Register of Members maintained by Jindal Saw (or in the case of joint holders to the address that one of the joint holders whose name stands first in such Register in respect of such joint holding) and the Transferee Company shall not be responsible for any loss in transit. The shareholders of Jindal Saw eligible to be issued shares in the Transferee Company in a dematerialized form shall receive dematerialized receipts of credit of new equity shares in their share accounts maintained with the depository, participants



reflecting the equity shares of the Transferee Company issued in accordance with Clause 4.2 above. The Transferee Company shall, if so required, be eligible to issue letters of allotment of the equity shares pending issue of share certificates or receipts for credit to the account of the shareholders with the depository participants under the depository system.

4.7 On this Scheme becoming effective and with effect from the Appointed Date, the subsidiaries of Jindal Saw that are being transferred as part of the Demerged Undertaking shall cease to be subsidiaries of Jindal Saw and become subsidiary of the Transferee Company with effect from the Appointed Date. Accordingly, in respect of such subsidiaries, Jindal Saw shall discontinue compliance with the requirements of Section 212 and other applicable provisions of the Act and the Transferee Company shall comply with the said requirements of the Act with effect from the Effective Date.

4.8 Cancellation of shares held by Jindal Saw in the Transferee Company:

Simultaneous with the issuance and allotment of the equity shares by the Transferee Company in accordance with the Clause 4.2, the initial issued and paid up equity share capital of the Transferee Company, comprising of 2,50,000 equity shares of Rs. 2/- each, aggregating to Rs. 5,00,000/-, as held by Jindal Saw (Residual) and its nominees shall be cancelled. The share certificates held by Jindal Saw (Residual) and its nominees representing the equity shares in the Transferee Company shall be deemed to be cancelled and non-est and not tradable from and after such cancellation.

4.9 Listing of securities

The equity shares of the Transferee Company (as issued to the shareholders of Jindal Saw in accordance with the Clause 4.2) shall, subject to applicable regulations, be listed and admitted to trading, without any lock-in conditions on the National Stock Exchange, and Bombay Stock Exchange, where the equity shares of Jindal Saw are listed and are admitted to trading. The shares allotted by the Transferee Company pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the National Stock Exchange and Bombay Stock Exchange.

#### 4.10 Accounting Treatment

##### **Accounting treatment in the books of Transferor Company**

4.10.1 The difference between the book value of assets and liabilities transferred pursuant to the Scheme shall be adjusted in the books of Transferor Company in the manner decided by Board of Directors of the Transferor Company considering the adjustment against the following, in the order specified, to the extent required:

- (a) Capital Reserve Account;
- (b) Security Premium Account; and
- (c) The balance amount, if any; from General Reserve Account.

4.10.2 The investment by the Transferor Company in the share capital of Transferee Company shall stand cancelled on and from the Appointed Date and the same shall be adjusted against the Security Premium Account of the Transferor Company.

4.10.3 The reduction, if any, in the Securities Premium Account of the Transferor Company shall be effected as an integral part

of the Scheme in accordance with the provisions of Section 78 and Sections 100 to 103 of the Act and the order of the High Court sanctioning the Scheme shall be deemed to be also the order under Section 102 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital, and the provisions of Section 101 of the Act will not be applicable.

### **Accounting treatment in the books of Transferee Company**

4.10.4 With effect from the Appointed Date, all the assets and liabilities of the Demerged Undertaking shall be recorded at their book value by the Transferee Company.

4.10.5 The Transferee Company shall credit its Share Capital Account with the aggregate face value of the equity shares issued to the shareholders of Transferor Company pursuant to Clause 4.2 of this Scheme.

4.10.6 The amount representing the surplus of assets and liabilities of the Demerged Undertaking over the aggregate face value of the share capital issued by the Transferee Company to the shareholders of the Transferor Company, shall be credited by the Transferee Company to the accounts specified below:

(a) The amount adjusted against the Security Premium Account in the books of Transferor Company shall be

correspondingly allocated and credited to the Security Premium Account in the books of Transferee Company; and

(b) The balance amount, if any, shall be credited to the Capital Reserve.

4.10.7 The amount representing the deficit, if any, of assets and liabilities of the Demerged Undertaking over the aggregate face value of the share capital issued by the Transferee Company to the shareholders of the Transferor Company shall be treated as goodwill and the same may be dealt in any manner as may be determined by the Board of Directors of the Transferee Company.

4.10.8 The existing shareholding of the Transferor Company in the Transferee Company shall be cancelled as an integral part of this Scheme in accordance with provisions of Sections 100 to 103 of the Act and the order of the High Court sanctioning the Scheme shall be deemed to be also the order under Section 102 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital, and the provisions of Section 101 of the Act will not be applicable. Subsequently, the face value of the shares held by the Transferor Company, in the Transferee Company shall be credited to the capital reserve account of the Transferee Company.

PART-V
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## **5. GENERAL TERMS AND CONDITIONS**

- 5.1 *Upon this Scheme becoming effective, the accounts of Jindal Saw (Residual) and the Transferee Company, as on the Appointed Date shall be reconstructed in accordance with the terms of this Scheme.*
- 5.2 *Jindal Saw (Residual) and the Transferee Company are expressly permitted to file/revise their income tax returns and related TDS certificates and other statutory returns, if required and shall have the right to claim refunds, advance tax credits, etc., if any and shall have the right to claim refunds, advance tax credits, etc., if any, pursuant to the sanction of this Scheme.*
- 5.3 *Jindal Saw and the Transferee Company shall, with all reasonable dispatch, make necessary applications to the Hon'ble High Court under Sections 391 to 394 and other applicable provisions of the Act, seeking orders for dispensing with or convening, holding and conducting of the meetings of the classes of their respective shareholders and/or creditors and for sanctioning of this Scheme, with such modifications, as may be approved by the Hon'ble High Court.*
- 5.4 *Upon this Scheme being approved by the requisite majority of the shareholders and creditors of Jindal Saw and of the shareholders of the Transferee Company (as may be directed by the Hon'ble High Court), Jindal Saw and the Transferee Company shall, with all reasonable dispatch, apply to the Hon'ble High Court, for sanction of this Scheme under Sections 391 to 394 and other applicable provisions of the Act, and for such other order or orders, as the said*

*Hon'ble High Court may deem fit for carrying this Scheme into effect.*

- 5.5 *Upon this Scheme becoming effective, the shareholders of both Jindal Saw and the Transferee Company shall be deemed to have also accorded their approval under all relevant provisions of the Act for giving effect to the provisions contained in this Scheme.*
- 5.6 *All costs, expenses, charges, fees, taxes, duties, levies and all other expenses, if any, arising out of or incurred in carrying out and implementing the terms and conditions or provisions of this Scheme and incidental thereto shall be borne and paid by Jindal Saw.*
- 5.7 *Each of Jindal Saw and the Transferee Company (acting through their Boards of Directors) may in their full and absolute discretion, assent to any amendments, alterations or modifications to this Scheme, which the Hon'ble High Court and/or any other authorities may deem fit to direct, approve 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 this Scheme. Each of Jindal Saw and the Transferee Company (acting through their Boards of Directors) be and is hereby authorized 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 the order of the Hon'ble High 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 and may also in their full and absolute discretion, withdraw or abandon this Scheme at any stage prior to the Effective Date.*
- 5.8 *The stock exchanges at which Jindal Saw is listed, shall list the equity shares of the Transferee Company, subject to compliance with the Securities Exchange Board of India*

*circular dated September 3, 2009 without the Transferee Company making an initial public offer, since the requisite minimum of 25% of the Transferee Company's paid-up share capital shall comprise shares allotted to the public holders of shares in Jindal Saw. Accordingly, the Transferee Company shall take steps for listing simultaneously on all such stock exchanges within a reasonable period from the Effective Date.*

- 5.9 *The Transferee Company undertakes that there shall be no change in the shareholding pattern or control in the Transferee Company between the Record Date and the listing which may affect the status of the approvals granted by the National Stock Exchange and the Bombay Stock Exchange.*
- 5.10 *Upon the Scheme becoming effective, the Transferee Company shall be permitted to revise its income tax returns, services tax returns, sales tax returns and other tax returns, and to claim refunds and /or credits, etc pertaining to the Demerged Undertaking, pursuant to the provisions of the Scheme.*
- 5.11 *Upon the Scheme becoming effective, the Jindal Saw (Residual) shall be expressly permitted to revise its income tax returns, services tax returns, sales tax returns and other tax returns, and to claim refunds and /or credits, etc, pertaining to the residual undertaking pursuant to the provisions of the Scheme.*
- 5.12 *This Scheme is conditional upon and subject to:*
- (i) *it being sanctioned by the Hon'ble High Court and certified copy of the order of the Hon'ble High Court sanctioning this Scheme being filed with the Registrar of Companies, Uttar Pradesh, by Jindal Saw and the Transferee Company respectively;*

- (ii) redemption and/or conversion of all FCCBs issued by Jindal Saw. As per the Offering Circular dated May 30, 2006 issued by Jindal Saw in relation to issuance of the FCCBs, unless converted/ redeemed before, all FCCBs shall mature on July 1, 2011.
- 5.13 *Jindal Saw and the Transferee Company shall make necessary applications before the Hon'ble High Court for sanction of this Scheme and any dispute arising out of this Scheme shall be subject to the jurisdiction of the Hon'ble High Court.*
- 5.14 *Upon the sanction of this Scheme and upon this Scheme becoming Effective, the following shall be deemed to have occurred on the Appointed Date and become effective and operative only in the sequence and in the order provided hereunder:*
  - (i) increase in the authorized share capital of the Transferee Company;
  - (ii) demerger of the Demerged Undertaking and transfer and vesting thereof in the Transferee Company, in accordance with Part III of this Scheme;
- 5.15 *In the event of any inconsistency between any of the terms and conditions of any earlier arrangement between Jindal Saw and its shareholders and/or creditors, and the terms and conditions of this Scheme, the latter shall prevail.*
- 5.16 *If any part of this Scheme is held invalid, ruled illegal by any Court of competent jurisdiction, or becomes unenforceable for any reason, whether under present or future laws, then it is the intention of the parties that such part shall be severable from the remainder of this Scheme and this Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the parties shall attempt to bring about a modification in this Scheme, as will best*



*preserve for the parties the benefits and obligations of this Scheme, including but not limited to such part.*

- 5.17 *The transfer of properties and liabilities to and the continuance of proceedings by or against the Transferee Company as envisaged in Part III above shall not affect any transaction or proceedings already concluded by Jindal Saw on or before the Appointed Date and after the Appointed Date till the Effective Date, to the end and intent that the Transferee Company accepts and adopts all acts, deeds and things done and executed by Jindal Saw in respect thereto as done and executed on behalf of itself.*

## SCHEDULE I

### Details of assets and liabilities of the Demerged Undertaking

<b>Description</b>	<b>Projected details as at 1st January 2011 Rs. in lacs</b>
Investments	2,558.91
Current assets, loans and advances	19,834.54
Current liabilities and provisions	3.95
Unsecured Loan	500.00