

INVESTMENT AGREEMENT

AMONGST

HAMMOND POWER SOLUTIONS INC

AND

PAN- ELECTRO TECHNIC ENTERPRISES PRIVATE LIMITED

AND

THE SHAREHOLDERS OF PAN- ELECTRO TECHNIC ENTERPRISES PRIVATE
LIMITED

TABLE OF CONTENTS

1.	DEFINITIONS AND INTERPRETATION	6
2.	PURCHASE OF PURCHASE SHARES AND PURCHASE CONSIDERATION.....	17
3.	CLOSING	17
4.	STANDSTILL AND OTHER OBLIGATIONS	22
5.	REPRESENTATION AND WARRANTIES	23
6.	BOARD OF DIRECTORS	25
7.	SHAREHOLDERS' MEETINGS.....	30
8.	MANAGEMENT AND FURTHER FUNDING.....	30
9.	TRANSFER OF SHARES	32
10.	COVENANTS AND UNDERTAKINGS	42
11.	EXERCISE OF RIGHTS	47
12.	INFORMATION AND REPORTING	47
13.	VISITATION AND INSPECTION RIGHTS.....	48
14.	EXPENSES	48
15.	INDEMNIFICATION.....	48
16.	GOVERNING LAW AND ARBITRATION.....	54
17.	ASSIGNABILITY.....	55
18.	CONFIDENTIALITY.....	55
19.	NOTICES.....	56
20.	TERM AND TERMINATION	57
21.	SEVERABILITY	58
22.	ENTIRE AGREEMENT	58
23.	CHANGE IN LAW, ETC.	58
24.	COUNTERPARTS	58
25.	AMENDMENTS AND WAIVERS.....	59
26.	INDEPENDENT CONTRACTORS.....	59
27.	PAYMENTS	59
	EXHIBIT A	61
	EXHIBIT B	62
	EXHIBIT C	67
	SCHEDULE 1	70
	SCHEDULE 2	71
	SCHEDULE 3	72
	SCHEDULE 4	73
	SCHEDULE 5	94
	SCHEDULE 6	95

SCHEDULE 7 96
SCHEDULE 8 99
SCHEDULE 9 100

INVESTMENT AGREEMENT

This Investment Agreement (the “**Agreement**”) is executed on this the ____ day of _____, 2012;

Amongst:

Hammond Power Solutions Inc., a company incorporated under the laws of Ontario, Canada, having its principal office at 595 Southgate Drive, Guelph, Ontario, Canada N1G 3W6, (hereinafter referred to as the “**Acquirer**”, which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its Affiliates, successors and assigns) of the **FIRST PART**;

AND

PAN-Electro Technic Enterprises Private Limited, a private limited company incorporated under the Companies Act, 1956, having its registered office at G-9 to 11, Bhavya's Sree Arcade, D.No.8-3-166/6&7, Erragadda, Hyderabad - 500 018, (hereinafter referred to as the “**Company**”, which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns) of the **SECOND PART**;

AND

Mr. K. Linga Reddy, an Indian citizen aged about 67 years and residing at 7-2-1787/1, Czech Colony, Sanath Nagar, Hyderabad - 500 018 (hereinafter referred to as the “**Promoter 1**”, which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include his legal heirs, successors, administrators and permitted assigns) of the **THIRD PART**;

AND

Mr. K. Ravi Krishna, an Indian citizen aged about 38 years and residing at 7-2-1787/1, Czech Colony, Sanath Nagar, Hyderabad - 500 018 (hereinafter referred to as the “**Promoter 2**”, which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include his legal heirs, successors, administrators and permitted assigns) of the **FOURTH PART**;

AND

The individuals set forth in **Part I** of **Exhibit A** hereto, being the shareholders of the Company and represented by their duly constituted attorney Mr. Ravi Krishna through a power of attorney dated December 23, 2011, (hereinafter collectively referred to as the “**Other Shareholders**” which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include their respective legal heirs, successors, administrators and permitted assigns) of the **FIFTH PART**;

Promoter 1 and Promoter 2 shall collectively be referred to as “**Promoters**” and individually as “**Promoter**”.

The Promoters and the Other Shareholders shall collectively be referred to as “**Selling Shareholders**” and individually as “**Selling Shareholder**”.

*The Acquirer, the Company and the Selling Shareholders are hereinafter, where the context so permits, referred to individually as “**Party**” and collectively as “**Parties**”.*

WHEREAS:

- A. The Company is inter *alia* engaged in the business of designing, manufacturing, repairing and servicing of transformers.
- B. As on the Effective Date (as defined hereinafter), the Selling Shareholders together hold 100% of the Equity Shares (as defined hereinafter) in the issued and paid up share capital of the Company. The capital structure of the Company as on the Effective Date is as described in **Schedule 1** to this Agreement.
- C. The Acquirer has approached the Selling Shareholders and the Selling Shareholders desire to sell 70% of their shareholding in the Company.
- D. To effectuate the understanding of the Selling Shareholders and the Acquirer in Recital C above, the Selling Shareholders are desirous of selling and the Acquirer is desirous of purchasing 2,100,000 (Two Million One Hundred Thousand) Equity Shares from the Selling Shareholders for a total consideration of up to approximately INR 775,000,000 (Indian Rupees Seven Hundred and Seventy Five Million only) or such other price as may be calculated in accordance with the terms of this Agreement, such that pursuant to the completion of the sale and purchase of the aforementioned Equity Shares the Acquirer holds 70% (seventy per cent) of the issued and paid up equity share capital of the Company on a Fully Diluted Basis (hereinafter defined).

- E. The shareholding pattern of the Company post the total investment by the Acquirer in accordance with this Agreement shall be as set forth in **Schedule 2** to this Agreement.
- F. The Parties hereto desire to enter into this Agreement to record their respective representations, warranties, covenants and agreements as under.

NOW, THEREFORE, in consideration of the representations, indemnities, promises and mutual covenants and agreements set forth herein, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1. **Definitions.** Unless otherwise defined in the Agreement, the following terms when capitalized shall have the meanings set out as follows:-

- 1.1.1. **“Act”** means the Indian Companies Act, 1956 including any amendments thereto and any rules, regulations, notifications and clarifications made thereunder.
- 1.1.2. **“Acquirer Call Option Price”** shall have the meaning ascribed to the term in Clause 9.6.6 herein.
- 1.1.3. **“Acquirer Call Option Event”** shall have the meaning ascribed to the term in Clause 9.6.4 herein.
- 1.1.4. **“Acquirer Nominee Director(s)”** means the Director(s) on the Board nominated by the Acquirer from time to time in accordance with this Agreement.
- 1.1.5. **“Affiliate”** of a Party means any Person, which is under the Control of, or under common Control with, such Party or a Person, which exercises Control over such Party, and where such Party is an individual, will mean the Relatives of such Party.
- 1.1.6. **“Agreement”** means this Investment Agreement entered into by the Parties, and as amended from time to time, and shall include all the Schedules, Appendices, Annexures and Exhibits to this Agreement.
- 1.1.7. **“Annual Budget”** shall have the meaning ascribed to the term in Clause 8.2.3 herein.
- 1.1.8. **“Alternate Directors”** shall have the meaning ascribed to the term in Clause 6.2.3 herein.
- 1.1.9. **“Arbitration Act”** shall, for the purposes of this Agreement mean The Arbitration and Conciliation Act, 1996 as applicable in India including any amendments thereto and any rules and regulations made thereunder.

- 1.1.10. **“Articles”** means the Articles of Association of the Company, as the same maybe amended from time to time.
- 1.1.11. **“Bank Guarantee”** shall have the meaning ascribed to the term in Clause 3.2.8 herein.
- 1.1.12. **“Big Four Accounting Firms”** means the Indian affiliate of PricewaterhouseCoopers, KPMG, Ernst & Young and Deloitte and/or their associated chartered accountant firms.
- 1.1.13. **“Board”** means the board of Directors of the Company as constituted from time to time.
- 1.1.14. **“Breaching Director”** shall have the meaning ascribed to the term in Clause 6.3.3 herein.
- 1.1.15. **“Business Day”** means a day, not being a Saturday or a Sunday or a public holiday, on which banks are open for business in Hyderabad, India, and in Ontario, Canada, and, in the context of a payment being made to or from a scheduled commercial bank in a place other than Hyderabad, India and Canada, in such other place.
- 1.1.16. **“Buyer Price”** shall have the meaning ascribed to the term in Clause 9.4.1 herein.
- 1.1.17. **“Buyer Terms”** shall have the meaning ascribed to the term in Clause 9.4.1 or Clause 9.5.1 herein, as the context may require.
- 1.1.18. **“Buyer”** shall have the meaning ascribed to the term in Clause 9.4.1 or Clause 9.5.1 herein, as the context may require.
- 1.1.19. **“Call Option Notice”** shall have the meaning ascribed to the term in Clause 9.6.3 herein.
- 1.1.20. **“Call Option Securities”** shall have the meaning ascribed to the term in Clause 9.6.3 herein.
- 1.1.21. **“Capital Expansion”** means investments to expand the Company’s Business as being carried out at such time, including, without limitation, investments required to finance expansion of the Company’s production, designing, manufacturing, repairing, servicing or distribution capacities but shall not include any working capital required for carrying out the normal operations of the Business.
- 1.1.22. **“Claims”** shall have the meaning ascribed to such term in Clause 15.1.1, and/or 15.1.2 and/or 15.2.1 herein, as the context may require.

- 1.1.23. **“Closing”** means the complete consummation of each of the transactions and actions by each of the Parties concerned, as contemplated in Clause 3 of this Agreement.
- 1.1.24. **“Company’s Business”** means the business of designing, manufacturing, repairing and servicing of transformers and such other businesses, as more particularly set out in the Memorandum, carried out by the Company within the parameters of the Articles and with the approval of the Board.
- 1.1.25. **“Competitor”** means and includes all such Persons (other than the Acquirer and its Affiliates), which carry on business/es similar to the Business as defined herein above and/or directly or indirectly compete with the Company.
- 1.1.26. **“Conditions Precedent to the Closing”** means the conditions precedent to be completed, prior to the Closing as set out in **Exhibit B**.
- 1.1.27. **“Conditions Subsequent to the Closing”** means the conditions to be completed subsequent to the Closing as set out in Clause 3.3.1.
- 1.1.28. **“Control”** (including, with its correlative meanings, the term “under common control with”), as used with respect to any Person, means (i) in the case of corporate entities, direct ownership of 50% or more of the shares or voting rights; or (ii) in the case of other entities, direct ownership of 50% or more of the equity interest; or (iii) the power to direct the management and policies of a Person, whether by way of contract or otherwise.
- 1.1.29. **“Consent”** means any permit, permission, license, approval, notice, authorization, consent, clearance, waiver, no objection certificate or other authorization of whatever nature and by whatever name called which is required to be granted by the Government, the Reserve Bank of India, the creditors or any other authority or the board of directors/ shareholders of an entity or under any applicable Law.
- 1.1.30. **“Cure Period”** shall have the meaning ascribed to such term in Clause 15.1.4 (i) and/or 15.2.3(i) herein, as the context may require.
- 1.1.31. **“Deed of Adherence”** means a deed to be executed by the transferee of any shares or Securities of the Company in the form set out in **Exhibit C**.
- 1.1.32. **“Director”** means a director on the Board of the Company, from time to time.
- 1.1.33. **“Director Misconduct”** shall have the meaning ascribed to the term in Clause 6.3.3 herein.

- 1.1.34. **“Disclosure Schedule”** or **“Disclosure Letter”** means the letter to be issued by the Company and the Selling Shareholders to the Acquirer on or prior to the Effective Date, in which specific disclosures with respect to the conduct and affairs of the Company have been made by the Company and/or the Selling Shareholders against the specific representations and warranties of the Company and the Selling Shareholders contained in this Agreement.
- 1.1.35. **“Dispute”** shall have the meaning ascribed to the term in Clause 16.1 herein
- 1.1.36. **“Drag Along Notice”** shall have the meaning ascribed to the term in Clause 9.4.3 herein.
- 1.1.37. **“Drag Along Right”** shall have the meaning ascribed to the term in Clause 9.4.1 herein.
- 1.1.38. **“Effective Date”** means the date of execution of this Agreement.
- 1.1.39. **“Electronic Mode”** means audio-visual electronic communication facility employed in a meeting, which enables all persons participating in that meeting to communicate concurrently with each other without an intermediary.
- 1.1.40. **“Encumbrance”** means any encumbrance including but not limited to any claim, mortgage, pledge, charge, hypothecation, lien, deposit by way of security, option or right of pre-emption, conditional sales contract, title retention agreement, voting agreement, beneficial ownership (including usufruct and similar entitlements), exercise of any other attribute of ownership, any arrangement (for the purpose of, or which has the effect of, granting security), public right, common right, way leave, any provisional or executorial attachment and any other interest held by a third party or any agreement, whether conditional or otherwise, to create any of the foregoing, but does not include any option to acquire or Transfer Securities provided under this Agreement.
- 1.1.41. **“Epoxy Terminal and Equipment Private Limited”** means, a private limited company incorporated under the Companies Act, 1956, having its registered office at Shed No. D-4, Phase I, IDA, Pashammailaram, Medak, Andhra Pradesh – 502307 engaged in the business of manufacturing of epoxy bushings, insulators and other transformer related parts.
- 1.1.42. **“Equity Shares”** means the common equity shares in the share capital of the Company, having a face value of INR 10 (Indian Rupees Ten only) each.
- 1.1.43. **“ETEPL Business”** means manufacturing of epoxy bushings, insulators and other transformer related parts.

- 1.1.44. **“Financial Year”** means the financial year of the Company commencing on April 1 every year and ending on March 31 of the following year, or such other financial year of the Company as the Company may from time to time legally designate as its financial year.
- 1.1.45. **“First Adjourned Meeting”** shall have the meaning ascribed to the term in Clause 6.8.2.
- 1.1.46. **“Fully Diluted Basis”** means that the calculation is to be made assuming that all outstanding convertible Securities (whether or not by their terms then currently convertible, exercisable or exchangeable), stock options, warrants have been so converted, exercised or exchanged.
- 1.1.47. **“Funding Options”** shall have the meaning ascribed to the term in Clause 8.3.1.
- 1.1.48. **“Foreign Exchange Regulations”** means the Foreign Exchange Management Act, 1999 (as amended from time to time) and the rules, regulations, notifications and circulars issued thereunder by the Reserve Bank of India and shall include the notifications, circulars and press notes issued by the Department of Industrial Policy & Promotion or such other authority authorized to issue regulations with respect to foreign exchange regulations in India.
- 1.1.49. **“Government”** or **“Governmental Authority”** means any government or quasi-government authority, ministry, statutory authority, government department, agency, commission, board, tribunal or court or other law, rule or regulation-making entity having or purporting to have jurisdiction on behalf of or representing the Government of India, or Government of any State of India, or the government of any other country or jurisdiction, or any state, municipality, district or other subdivision or instrumentality thereof.
- 1.1.50. **“Indemnifying Acquirer Party”/“Indemnified Acquirer Party”** shall have the meaning ascribed to the terms in Clause 15.1.1 and/or Clause 15.1.2, as the context may require.
- 1.1.51. **“Indemnifying Purchaser Party” / “Indemnified Purchaser Party”** shall have the meaning ascribed to the terms in Clause 15.2.1.
- 1.1.52. **“Indemnified Party”** shall mean the Indemnified Acquirer Party or the Indemnified Purchaser Party, as the context may require.
- 1.1.53. **“Indemnifying Party”** shall mean the Indemnifying Acquirer Party or the Indemnifying Purchaser Party, as the context may require.

- 1.1.54. **“Intention to Offer Notice”** shall have the meaning ascribed to the term in Clause 9.3.3 herein.
- 1.1.55. **“Interim Accounts”** means the unaudited accounts of the Company as of November 30, 2011 to be prepared by the Company and reviewed by KPMG to the satisfaction of the Acquirer.
- 1.1.56. **“INR” / “Rs.”** means Indian rupees, the lawful currency of India for the time being.
- 1.1.57. **“Key Management Team”** means the management team of the Company consisting of the top management employees of the level of CEO and designated business heads of the Company as identified by the Company from time to time.
- 1.1.58. **“KLR Business”** means manufacturing of pressure steel radiators and other fabrication related items.
- 1.1.59. **“KLR Engineers Private Limited”** means, a private limited company incorporated under the Act, having its registered office at Shed No. D-17 & 18, Phase I, IDA, Pashammailaram, Medak, Andhra Pradesh – 502307 engaged in the business of manufacturing of pressure steel radiators.
- 1.1.60. **“Laws”** means all applicable laws, statutes, ordinances, regulations, guidelines, policies and other pronouncements having the effect of law in India or in Canada, made by any state, municipality, court, tribunal, agency, government, ministry, department, commission, arbitrator, board, bureau, or instrumentality thereof, or any other Governmental Authority, as currently interpreted and administered.
- 1.1.61. **“Lock-in Period”** shall have the meaning ascribed to the term in Clause 9.2.2 herein.
- 1.1.62. **“Long Stop Date”** means the date of expiry of 45 (Forty Five) Business Days from the Effective Date, unless agreed to be extended by the Acquirer in writing.
- 1.1.63. **“Losses”** shall include all actual losses, fines, costs, expenses, deficiencies, damages, including interests and penalties with respect thereto and reasonable out-of-pocket expenses and reasonable attorneys’ and accountants’ fees and disbursements but shall not include any punitive or indirect damages.
- 1.1.64. **“Material Adverse Effect”** means any event, condition or item, that individually or in the aggregate, would have an adverse effect on (i) the Company’s Business, the ability of the Key Management Team who are Shareholders of the Company, the financial condition and

the results of operations of the Company to carry on the Business, or (ii) the ability of the Company, the Selling Shareholders to timely consummate the transactions/obligations contemplated hereby in accordance with the terms of this Agreement, subject to applicable Law.

- 1.1.65. **“Material Breach”** shall have the meaning ascribed to the term in Clause 9.6.5 herein.
- 1.1.66. **“Memorandum”** means the Memorandum of Association of the Company, as the same may be amended from time to time.
- 1.1.67. **“Name Change Undertakings”** means the undertakings to be provided by PETE Transformers Private Limited on its letter head agreeing and undertaking to change the name acceptable to the Acquirer and not similar to the name of the Company;
- 1.1.68. **“No Tag Notice”** shall have the meaning ascribed to the term in Clause 9.5.6 herein.
- 1.1.69. **“Offered Securities”** shall have the meaning ascribed to the term in Clause 9.3.2 herein.
- 1.1.70. **“Offeror”** shall have the meaning ascribed to the term in Clause 9.3.2 herein.
- 1.1.71. **“Ordinary Course of Business”** shall have the meaning ascribed to the term in Clause 4.1.1 herein.
- 1.1.72. **“Ownership Threshold”** means 20% of the paid up and issued equity share capital of the Company on a Fully Diluted Basis and shall stand revised to such percentage as determined in accordance with Clause 8.3.
- 1.1.73. **“Panel”** shall have the meaning ascribed to the term in Clause 16.2 herein.
- 1.1.74. **“Person”** means any natural person, limited or unlimited liability company, corporation, general partnership, limited partnership, proprietorship, trust, union, association, court, tribunal, agency, government, ministry, department, commission, self- regulatory organization, arbitrator, board, bureau, Hindu Undivided Family, instrumentality, or other entity, enterprise, authority, or business organization.
- 1.1.75. **“PETE Transformers Private Limited”** means, a private limited company incorporated under the Act, having its registered office at Survey No.16/2, Sampathipuram, Kasimkota (Mandal), Vishakhapatnam-531002 engaged in the business of servicing of transformers and fabrication of transformer tanks.

- 1.1.76. **“PTPL Business”** means servicing of transformers and fabrication of transformer tanks.
- 1.1.77. **“Promoter Director”** shall have the meaning ascribed to the term in Clause 6.2.1 herein.
- 1.1.78. **“Promoters’ Guarantees and Collateral Securities”** shall mean the guarantees provided by the Promoters as security for the loans availed by the Company from State Bank of India as detailed in **Schedule 8**.
- 1.1.79. **“Promoter Put Option Right”** shall have the meaning ascribed to the term in Clause 9.7.1 herein.
- 1.1.80. **“Purchase Consideration”** means the consideration INR 775,000,000 (Indian Rupees Seven Hundred and Seventy Five Million only) to be paid by the Acquirer to the Selling Shareholders for the purchase of Purchase Shares.
- 1.1.81. **“Purchase Shares”** means 2,100,000 (Two Million One Hundred Thousand) Equity Shares being purchased by the Acquirer from the Selling Shareholders at the Closing in accordance with the terms of this Agreement.
- 1.1.82. **“Put Option Notice”** shall have the meaning ascribed to the term in Clause 9.7.2 herein.
- 1.1.83. **“Put Option Price”** shall have the meaning ascribed to the term in Clause 9.7.3 herein.
- 1.1.84. **“Put Option Securities”** shall have the meaning ascribed to the term in Clause 9.7.2 herein.
- 1.1.85. **“Related Party(ies)”** means any of the following: (i) the Key Management Team, the executive Directors, Shareholders and the respective Relative(s) of such executive Directors; (ii) any Affiliate and any associated enterprise (as defined under Section 92A of the Income Tax Act, 1961) of any of the foregoing including the Company; or (iii) any group company not included in (i) and (ii) above.
- 1.1.86. **“Relative(s)”** means mother, father, spouse and children of the relevant Person.
- 1.1.87. **“Restated Articles”** means the Articles of the Company duly amended to reflect the terms of this Agreement.
- 1.1.88. **“Restricted Business”** shall have the meaning ascribed to the term in Clause 10.1 herein.

- 1.1.89. **“Restricted Party”** shall have the meaning ascribed to the term in Clause 10.4 herein.
- 1.1.90. **“Right of First Offer”** shall have the meaning ascribed to the term in Clause 9.3.2 herein.
- 1.1.91. **“ROFO Notice”** shall have the meaning ascribed to the term in Clause 9.3.3 herein.
- 1.1.92. **“ROFO Price”** shall have the meaning ascribed to the term in Clause 9.3.3 herein.
- 1.1.93. **“ROFO Terms”** shall have the meaning ascribed to the term in Clause 9.3.3 herein.
- 1.1.94. **“ROFO Exercise Notice”** shall have the meaning ascribed to the term in Clause 9.3.4 herein.
- 1.1.95. **“ROFO Exercise Period”** shall have the meaning ascribed to the term in Clause 9.3.4 herein.
- 1.1.96. **“ROFO Rejection Notice”** shall have the meaning ascribed to the term in Clause 9.3.5 herein.
- 1.1.97. **“R&W Claim Period”** shall have the meaning ascribed to the term in Clause 5.9 herein.
- 1.1.98. **“Sale Notice”** shall have the meaning ascribed to the term in Clause 9.5.1 herein.
- 1.1.99. **“Sale Securities”** shall have the meaning ascribed to the term in Clause 9.5.1 herein.
- 1.1.100. **“Second Adjourned Meeting”** shall have the meaning ascribed to the term in Clause 6.8.2.
- 1.1.101. **“Securities”** means the Company’s shares (including the Equity Shares), debentures or any options, warrants, convertible preference shares, loans or such other class or series of shares or security that may be issued by the Company from time to time, which are convertible into or exercisable or exchangeable for, or which carry a right to subscribe for or purchase shares of the Company, as adjusted for any stock splits, stock dividends, combinations, subdivisions, consolidations, stock swaps, recapitalization, re-issuance and the like.
- 1.1.102. **“Shareholders”** means the duly registered holder from time to time of the shares of the Company.

- 1.1.103. **“Strategic Plan”** shall have the meaning ascribed to the term in Clause 8.2.1 herein.
 - 1.1.104. **“Subscription Period”** shall have the meaning ascribed to the term in Clause 8.3.3 herein.
 - 1.1.105. **“Tag Along Notice”** shall have the meaning ascribed to the term in Clause 9.5.2 herein.
 - 1.1.106. **“Tag Along Right”** shall have the meaning ascribed to the term in Clause 9.5.1 herein.
 - 1.1.107. **“Tag Period”** shall have the meaning ascribed to the term in Clause 9.5.2 herein.
 - 1.1.108. **“Tag Securities”** shall have the meaning ascribed to the term in Clause 9.5.2 herein.
 - 1.1.109. **“Taxes”** means all taxes including withholding taxes, levies, rates, imposts, duties, deductions, charges and withholdings whatsoever imposed by any authority having power to tax and all penalties, fines, surcharges, interest or other payments on or in respect thereof and “Tax” and “Taxation” shall be construed accordingly.
 - 1.1.110. **“Third Adjourned Meeting”** shall have the meaning ascribed to the term in Clause 6.8.2.
 - 1.1.111. **“Transaction”** means the purchase by the Acquirer and the sale by the Selling Shareholders of the Purchase Shares pursuant to this Agreement.
 - 1.1.112. **“Transaction Documents”** means this Agreement and any other documents as may be executed by the Parties in connection with, and incidental to the Transaction.
 - 1.1.113. **“Transfer”** (including the terms “Transferred by” and “Transferability”) means to transfer, sell, assign, pledge, hypothecate, create a security interest in or lien on, place in trust (voting or otherwise), exchange, gift or transfer by operation of law or in any other way subject to any Encumbrance or dispose of, whether or not voluntarily.
- 1.2. **Interpretation.** Unless the context of this Agreement otherwise requires:
- 1.2.1. words of any gender include each other gender;
 - 1.2.2. the singular includes the plural (and vice versa);

- 1.2.3. the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Agreement and not to any particular Clause, Article or Section of this Agreement;
- 1.2.4. the phrases “ordinary course of business” and “ordinary course of business consistent with past practice” refer to the business and practice of the Company;
- 1.2.5. whenever this Agreement refers to a number of days, such number shall refer to calendar days unless otherwise specified;
- 1.2.6. all accounting terms used herein and not expressly defined herein shall have the meanings given to them under the Indian generally accepted accounting principles;
- 1.2.7. headings and captions are used for convenience only and shall not affect the interpretation of this Agreement;
- 1.2.8. references to Recitals, Clauses, sub-Clauses, Sections, sub-Sections, Exhibits, Appendices and Schedules shall be deemed to be a reference to the Recitals, Clauses, sub-Clauses, Sections, sub-Sections, Exhibits, Appendices and Schedules of this Agreement.
- 1.2.9. any reference to any statute or statutory provision shall include:
 - (a) all subordinate legislation made from time to time under that provision (whether or not amended, modified, re-enacted or consolidated);
 - (b) such statute or provision as may be amended, modified, re-enacted or consolidated.
- 1.2.10. any reference to an agreement, instrument or other document (including a reference to this Agreement) herein shall be to such agreement, instrument or other document as amended, supplemented or novated pursuant to the terms thereof;
- 1.2.11. the word “including” herein shall always mean “including, without limitation”;
- 1.2.12. time is of the essence in the performance of the Parties’ respective obligations; if any time period specified herein is extended, such extended time shall also be of the essence; and
- 1.2.13. the Recitals, Appendices, Schedules and Exhibits to this Agreement form an integral part of this Agreement.

2. PURCHASE OF PURCHASE SHARES AND PURCHASE CONSIDERATION

On the Closing, upon fulfillment (or waiver by the Acquirer) of all Conditions Precedent to the Closing (and in the manner described in **Exhibit B**), the Acquirer agrees to purchase from the Selling Shareholders all, but not less than all and the Selling Shareholders agree to sell, assign, transfer and deliver to the Acquirer all, but not less than all the Purchase Shares, free and clear of all Encumbrances for the Purchase Consideration, such that immediately after giving effect to the purchase, the Acquirer shall, on the Closing Date, hold 70% (seventy per cent) of the issued and paid up share capital of the Company on a Fully Diluted Basis, subject to the terms and conditions hereof.

3. CLOSING

3.1. The Closing shall begin within 7 (Seven) Business Days of the fulfillment or waiver of the Conditions Precedent to the Closing to the satisfaction of the Acquirer or such time as may be mutually agreed between the Parties, but not later than the Long Stop Date (“**Closing Date**”).

3.2. On the Closing Date

3.2.1. The Selling Shareholders shall deliver to the Acquirer (i) the duly stamped original share certificates evidencing title to the Purchase Shares; and (ii) the duly executed and stamped share transfer forms with respect to the Purchase Shares being transferred.

3.2.2. Simultaneously with the delivery of the share certificates, the Acquirer shall issue irrevocable instructions to its bankers to transfer the Purchase Consideration to Selling Shareholders’ Accounts, details of which are set out in **Schedule 3** to this Agreement and the Selling Shareholders shall receive the Purchase Consideration from the Acquirer and shall confirm the receipt of the same.

3.2.3. On the receipt of the Purchase Consideration, (i) the Selling Shareholders shall give an undertaking to the Acquirer to the effect that all the economic rights attached to the Purchase Shares, including receipt of dividends, bonus shares or otherwise shall accrue to the Acquirer from the date of receipt of Purchase Consideration by the Selling Shareholders and shall issue notice along with a proxy form in favour of the Acquirer’s representatives as per the provisions of the Act entitling the Acquirer’s representatives to exercise the voting rights on the Purchase Shares till the completion of the actions contemplated under Clause 3.2.5(i); and (ii) the Company shall call for a Board meeting to appoint the Acquirer Nominee Directors to the Board of the Company.

3.2.4. The Form FC-TRS along with supporting documentation in connection with the Purchase Shares shall be submitted by the Selling Shareholders to the concerned authorized dealer as required under the

Foreign Exchange Regulations. The Acquirer shall co-operate and provide all information and reasonable assistance to the Selling Shareholders to enable it to complete necessary statutory formalities for completion of the sale of the Purchase Shares.

3.2.5. Pursuant to the completion of the formalities required under the Foreign Exchange Regulations with respect to the filing of the Form FC-TRS as required under Clause 3.2.4, the Company shall call for a Board meeting to:

- (i) approve the transfer of the Purchase Shares from the Selling Shareholders to the Acquirer and make the necessary entries in the register of members of the Company to record the Acquirer to be the registered shareholder of the Purchase Shares upon submission of the duly certified Form FC-TRS with the Company by the Selling Shareholders; and
- (ii) approve the resignation of Mr. K Ramakrishna and Ms. K Suguna;

Certified copies of each of these resolutions authorizing actions under Section 3.2.5 of this Agreement shall be handed over to the Acquirer.

3.2.6. A meeting of the Shareholders of the Company shall be held on a shorter notice to (i) approve and adopt the Restated Articles, in a form satisfactory to the Acquirer; and (ii) regularise the Acquirer Nominee Directors as Directors in the Company. Certified copies of each of these resolutions along with that of the Restated Articles shall be handed over to the Acquirer.

3.2.7. The Company and the Selling Shareholders shall provide the Acquirer with such other documents as the Acquirer or its counsel may reasonably request to demonstrate satisfaction of the conditions and compliance with the agreements set forth in this Agreement.

3.2.8. The Promoters shall have procured a bank guarantee from a reputed bank in favour of the Company for an amount of Rs. 50,000,000 (Rupees Fifty Million Only) which shall be valid for a period of 3 (Three) years from the Closing ("Bank Guarantee"). Further, the Promoters hereby agree and undertake that in the event a Claim has been made against the Promoters by the Indemnified Acquirer Party in connection with which legal proceedings have been instituted by the Promoters challenging the Claim and the payment of such Claim is subject to the final decision of the authority before whom such legal proceedings have been initiated, the Promoters will undertake all such actions at their expense to ensure that the term of the Bank Guarantee is extended and that the Bank Guarantee shall be kept valid till such time as the final decision of the relevant authority is rendered and in the event of an appeal, till a final order is received in connection therewith.

3.3. **CONDITIONS SUBSEQUENT TO THE CLOSING**

3.3.1. The Company and the Promoters shall ensure that the following conditions (“**Conditions Subsequent to the Closing**”) are duly fulfilled to the satisfaction of the Acquirer (unless such satisfaction of any of the Conditions Subsequent to the Closing has been waived or deferred in writing by the Acquirer). The Company and the Promoters shall issue a written notice to the Acquirer immediately (not later than 2 (Two) Business Days from the date of satisfaction) upon fulfillment of the following Conditions Subsequent to the Closing:

- (i) Within 5 (Five) days from the consummation of the events in Clause 3.2.6, the Company shall file all such forms as may be required (including Form 23) with the Registrar of Companies for the adoption of the Restated Articles and provide an acknowledged copy of the same to the Acquirer.
- (ii) Within 5 (Five) days from the consummation of the events in Clause 3.2.6, the Company shall file Form No.32 with the Registrar of Companies with respect to the resignations of Mr. K Ramakrishna and Ms. K Suguna; appointments and regularizations of the Acquirer Nominee Directors on the Board in accordance with this Agreement and provide an acknowledged copy of the same to the Acquirer.
- (iii) As soon as commercially practicable after the Closing Date, the Company shall procure a Directors and Officers Liability Insurance cover as required under Clause 6.6.1 of this Agreement and the Company shall procure a suitable Key Man Insurance cover for all the key personnel of the Company as identified by the Company from time to time.
- (iv) Within 60 (Sixty) days from the Closing Date, the Promoters and the Company shall deliver to the Acquirer a draft of the HR policy manual with all the provisions including but not limited to the provisions related to sexual harassment, non-solicitation, confidentiality and IP protection, to the satisfaction of the Acquirer.
- (v) Within 60 (Sixty) days from the Closing Date, the Promoters and the Company shall take necessary steps to obtain necessary insurance coverage for goods in transit with regard to activities carried on by the Company and produce true certified copies of either the insurance policies or application or intention to obtain such policies in consultation with the Acquirer.
- (vi) Within 60 (Sixty) days from the Closing Date, the Company and the Promoters shall make arrangements to make amendments in appointment letters of existing employees,

including Key Management Team (except for the Promoters) to include clauses regarding Intellectual Property Protection, non-disclosure and confidentiality in consultation with the Acquirer.

- (vii) Within 60 (Sixty) days from the Closing Date, the Company and the Promoters shall take necessary steps to modify the format of the purchase orders being used by the Company in connection with its commercial arrangements such that issues concerning liability of the parties, dispute resolution, warranty period etc are adequately captured, in consultation with the Acquirer.
- (viii) Within 60 (Sixty) days from the Closing Date, the Promoters and the Company shall in consultation with the Acquirer prepare a draft of the internal control policy manual with all the provisions on internal control matters.
- (ix) Within 6 (Six) months from the Closing Date, the Promoters shall ensure that stack emissions and noise test are conducted for all diesel generator sets that are installed in the manufacturing units by a local Pollution Control Board authorized lab, and if required, shall ensure that all DG sets are provided with adequate acoustic enclosures to mitigate noise pollution to within the permissible levels as prescribed by the local Pollution Control Board.
- (x) By March 31, 2012, the Promoters and the Company shall in consultation with the Acquirer prepare a draft of the inventory policy manual with all the provisions including but not limited to the provisions related to receipt and issue of inventory at stores, physical verification of inventory, methodology to be adopted for value of work in progress and finished goods.
- (xi) Within 60 (Sixty) days from the Closing Date, the Promoters and the Company shall in consultation with the Acquirer take due steps to ensure compliance under the Environment Protection Act 1986, the Air (Prevention & Control of Pollution) Act 1981, the Water (Prevention & Control of Pollution) Act 1974 and the Water (Prevention & Control of Pollution) Cess Act 1977 by submission of environmental statement to the local Pollution Control Board, maintain a valid third party agreement with a local Pollution Control Board approved authorized agency for disposal of hazardous waste and submission of water cess.
- (xii) Within 60 (Sixty) days from the Closing Date, the Promoters and the Company shall in consultation with the Acquirer

formalize any agreement or understanding entered into for the purposes of marketing and other arrangements in connection with its business, to the satisfaction of the Acquirer.

- (xiii) Within 60 (Sixty) days from the Closing Date, Promoters and the Company shall regularize and formalize leasing agreements, along with the registration of such agreements/instruments it may have entered into with the Promoters regarding leasing of certain premises utilized by the Company.
- (xiv) Within 60 (Sixty) days from the Closing Date, Promoters and the Company shall in consultation with the Acquirer take necessary steps for the Company to comply with its obligations under the following labour laws:
 - Industrial Employment (Standing Orders) Act, 1948
 - Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
 - Equal Remuneration Act, 1976 and the Equal Remuneration Rules, 1976

3.4 All transactions contemplated in Clause 3.2 above shall take place on the Closing Date and if any of the aforesaid actions does not take place within the Long Stop Date, then each of the above and the Closing shall be deemed not to have occurred and the Acquirer shall be entitled to the Purchase Consideration and the Selling Shareholders shall be entitled to the return of the share certificates, share transfer forms handed over pursuant to Clause 3.2.1 and undertakings handed over under Clause 3.2.3. It is clarified however that in the event the transactions contemplated in Clause 3.2.5 are not completed on the Closing Date for reasons attributable to applicable Law, the Parties shall not have any recourse under this Clause 3.4 provided however that the Promoters shall be required to exercise all best efforts to ensure that the events set out in Clause 3.2.5 are completed as expeditiously as possible and in any event within 30 (Thirty) days of the Closing Date and to that extent, the Long Stop Date shall be deemed to have extended.

3.5 If the provisions of Clause 3.2 above are not fully complied with at the Closing Date due to actions attributable to either of the Parties, the other Party shall be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages):

- (a) To seek specific performance of this Agreement; or
- (b) To effect Closing as far as practicable having regard to the defaults of the other Party and subject to applicable Law; or
- (c) To determine a new date for Closing in which case the foregoing provisions of this Clause 3.5 shall apply to Closing as so deferred.

It is clarified however that no action may be taken under this Clause 3.5, in the event that the transactions contemplated under Clause 3.2.5 are not completed on the Closing Date for reasons attributable to applicable Law provided however that the Promoters shall exercise all best efforts to ensure that the events set out in Clause 3.2.5 are completed as expeditiously as possible and in any event within 30 (Thirty) days of the Closing Date, and to that extent, the Long Stop Date shall be deemed to have extended.

4. STANDSTILL AND OTHER OBLIGATIONS

- 4.1. Without prejudice to any other right in this Agreement, between the Effective Date hereof and the completion of the last action required to be completed at Closing Date, except as expressly permitted or required by this Agreement or with the prior written consent or waiver of Acquirer, the Company and/or the Selling Shareholders (as the context may require) will:
 - 4.1.1. carry on the Company's Business only in the ordinary course of business consistent with past practice (the **"Ordinary Course of Business"**);
 - 4.1.2. not transfer, allot, issue or dispose of any Securities or other equity interests of the Company or grant options, warrants, calls or other rights to purchase or otherwise acquire shares in the share capital of the Company or other equity interests of the Company;
 - 4.1.3. other than in the Ordinary Course of Business, not increase any obligations of the Company with respect to any indebtedness, or repay any loans or other amounts outstanding to any Shareholder of the Company, pay any bonuses or advances against salaries, or make any other cash payments or other distributions;
 - 4.1.4. not modify, amend or terminate any contract, agreement or arrangement to which the Company is a party, except in the Ordinary Course of Business;
 - 4.1.5. not sell its assets, or merge or consolidate with, or agree to merge or consolidate with, or purchase substantially all of the assets, or otherwise acquire, any business, business organization or division thereof, of any other Person, by or on behalf of the Company;
 - 4.1.6. not acquire or dispose off any assets, undertaking, business, division or any Person;
 - 4.1.7. promptly advise the Acquirer in writing of any event, occurrence, fact, change, development that, individually or in the aggregate, has had or may reasonably be expected to have a Material Adverse Effect;
 - 4.1.8. not make any amendments to the Memorandum or Articles of the Company except as contemplated in this Agreement;

- 4.1.9. not enter into or terminate any Related Party transactions, where the Company is a party;
- 4.1.10. not wind up or liquidate the Company or pass any resolution in connection therewith or enter into any settlement, compromise, arrangement or agreement in connection with any liability or obligation of the Company;
- 4.1.11. not create any Encumbrance on the Assets of the Company or the Securities of the Company;
- 4.1.12. not terminate or in any way alter, modify the terms of the employment of any of the Key Management Team;
- 4.1.13. not enter into any joint venture or partnership, or any profit sharing arrangement by or on behalf of the Company;
- 4.1.14. not declare dividend;
- 4.1.15. not issue guarantee (including, letter of comfort or shortfall support undertakings, by whatever name called) or undertake any indemnity obligations other than in the Ordinary Course of Business;
- 4.1.16. not remove any of the Acquirer Nominee Directors; and
- 4.1.17. not agree or otherwise commit or omit to take any of the actions described in the foregoing Clauses 4.1.1 through 4.1.16.
- 4.2. It is clarified that any deviation from the aforesaid actions, shall require the consent of the Acquirer (as the context may require) whether undertaken at a Board or a shareholders meeting, as the case may be.
- 4.3. The obligation of the Acquirer to purchase the said Purchase Shares shall be subject to (i) the completion of the Conditions Precedent to the Closing by the Selling Shareholders and the Company, respectively prior to the Closing in accordance with the provisions of this Agreement; and (ii) the absence of a Material Adverse Effect existing at the time of the Closing.

5. REPRESENTATION AND WARRANTIES

- 5.1. The Promoters hereby jointly and severally represent and warrant to the Acquirer as set forth in **Schedule 4 “Part A”** hereunder. The Other Shareholders hereby jointly and severally represent and warrant to the Acquirer as set forth in **Schedule 4 “Part B”** hereunder.
- 5.2. The Acquirer hereby represents and warrants to the Company and the Selling Shareholders as set forth in **Schedule 4 “Part C”** hereunder.

- 5.3. The Promoters and the Other Shareholders hereby jointly and severally acknowledge that the Acquirer has entered into this Agreement in reliance of the representations and warranties of the Promoters and the Other Shareholders as set forth in **Schedule 4 “Part A”** and **Schedule 4 “Part B”** respectively. The Acquirer hereby acknowledges that the Company and the Selling Shareholders have entered into this Agreement in reliance of the representations and warranties of the Acquirer as set forth in **Schedule 4 “Part C”** hereto.
- 5.4. The Promoters and the Other Shareholders hereby jointly and severally agree and warrant that all statements made as representations and warranties in **Schedule 4 “Part A”** and **Schedule 4 “Part B”** hereto, are true and accurate and all information contained or referred to in the foregoing do not omit or fail to explain anything that renders any of that information incomplete or misleading. The Acquirer hereby agrees and warrants that all statements made as representations and warranties in **Schedule 4 “Part C”** hereto, are true and accurate and all information contained or referred to in the foregoing do not omit or fail to explain anything that renders any of that information incomplete or misleading.
- 5.5. Each of the warranties shall be construed as a separate warranty and (save as expressly provided to the contrary) shall not be limited or restricted by reference to or inference from the terms of any other warranty or any other term of this Agreement.
- 5.6. The Selling Shareholders undertake to promptly notify the Acquirer in writing if any of them becomes aware of any fact, matter or circumstance (whether existing on or before the date of this Agreement or arising afterwards) which would cause any of the warranties to become untrue or inaccurate in any respect.
- 5.7. Each of the warranties is independent and none of the warranties shall be treated as qualified by any actual or constructive knowledge on the part of the Acquirer or any of its agents, representatives, officers, employees or advisors. The warranties shall not in any manner be limited by any information disclosed or made available to or received by the Acquirer or any representative(s) of the Acquirer, whether in the course of any due diligence, except to the extent disclosed under the Disclosure Letter.
- 5.8. Each Selling Shareholder agrees with the Acquirer to waive any rights or claims which he/she may have against the Company in respect of any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by the Company in connection with the giving of the warranties and any indemnities under this Agreement.
- 5.9. All representations and warranties will survive for a period as mentioned in Clause 15 (“**R&W Claim Period**”). Upon the expiration of the applicable R&W Claim Period, all claims for breach of representations and warranties to which such R&W Claim Period relates to, and in relation to which claim notice has not been issued to the relevant Indemnifying Party, shall

automatically expire without any action from the Parties hereto.

6. BOARD OF DIRECTORS

6.1. Number of Directors

The Parties agree that the maximum number of Directors will be in accordance with the Restated Articles, subject to the applicable Law.

6.2. Nominees

6.2.1. The Acquirer shall have the right to nominate 3 (Three) Acquirer Nominee Directors and so long as the Promoters hold, in the aggregate, a number of Securities equal to or greater than the Ownership Threshold, the Promoters jointly have the right to appoint 2 (Two) Directors on the Board (“**Promoter Directors**”). It is further clarified that the Acquirer shall at all times have the right to appoint the majority of the Directors to the Board and in the event any of the Company’s lenders elects to exercise its option to appoint nominee directors on the Board, then the number of Acquirer Nominee Directors shall be increased such that they constitute a majority on the Board of the Company.

6.2.2. The Promoters and the Acquirer hereby agree to vote or cause to be voted, in favor of any resolution for the appointment and/or re-election of the Directors nominated by the Acquirer/Promoters, as the case may be.

6.2.3. The Acquirer and the Promoters shall have the right to appoint alternate Directors to their respective nominee Directors (“**Alternate Directors**”) in accordance with the provisions of the Act. The Board shall take necessary steps to appoint such Alternate Directors. The Alternate Directors so appointed shall be entitled to attend the meetings of the Board and vote in the event the Directors to whom they are alternate directors are unable to attend any meeting of the Board.

6.2.4. In the event of a casual vacancy arising at any time or times on account of the resignation of the relevant nominee Director or the office of the respective nominee Directors becoming vacant for any reason, the Party whose nominee Director is subject to such a causal vacancy shall be entitled to designate a Director to fill any such vacancy.

6.2.5. It is hereby agreed between the Parties, that unless otherwise agreed by the Parties no Party will propose the appointment of or appoint an individual, who is a shareholder or a director or associated with or an employee of a Competitor, as the Director on the Board. It is clarified

however, that the Acquirer shall have the right to appoint or propose the appointment of directors of, employees of or individuals associated with the Affiliate as Directors on the Board only if such individual is also a director of, employee of or an individual directly associated with the Acquirer.

6.3. *Removal of Directors*

- 6.3.1. So long as the Promoters hold, in the aggregate, a number of Securities equal to or greater than the Ownership Threshold on a Fully Diluted Basis, unless otherwise prescribed under the Act, any Promoter Directors may be removed during his or her term of office, only by the written consent or affirmative vote of the holders of at least a majority of the then outstanding Securities (on a Fully Diluted Basis) held by the Promoters. From and after the time that the Promoters hold, in the aggregate, a number of Securities (on a Fully Diluted Basis) less than the Ownership Threshold, any Director on the Board (except for any lender Director) may be removed during his or her term of office, with or without cause, only by the written consent or affirmative vote of the Acquirer.
- 6.3.2. Any Acquirer Nominee Director may be removed during his or her term of office, with or without cause, only by the written consent of the Acquirer. Upon the Acquirer exercising this option, the Shareholders shall vote for all of the Securities and any other voting shares of the Company held by them or over which they have voting control (or shall consent pursuant to an action by written consent of the Shareholders) so as to remove the Acquirer Nominee Director in accordance with this Clause 6.3.2.
- 6.3.3. In the event that any Director is determined by all of the remaining Directors of the Board to have engaged in any activity, action or inaction that qualifies as a breach of fiduciary duty, fraud, gross negligence, criminal misconduct, gross misconduct, or misappropriation (such action, “**Director Misconduct**” and such Director, a “**Breaching Director**”), upon the vote of all of the remaining Directors of the Board, such Breaching Director shall, immediately upon written notice thereto, but subject to compliance with Section 284 of the Act, be removed from the Board; provided, however, that in the event that a majority of the remaining Directors of the Board determine that any Director has engaged in any activity that would otherwise be considered Director Misconduct pursuant to this Clause 6.3.3, but that such Director Misconduct relates to allegations of (i) the engagement between such Breaching Director and a Competitor, whether the engagement of such Breaching Director is as a partner, employee, consultant, advisor, agent, contractor, director, trustee, committee member, office bearer, or Shareholder (or similar capacity or function) or (ii) the commission of a criminal act, then such Breaching Director may be removed from the Board immediately upon

written notice thereto but subject to compliance with Section 284 of the Act, upon the vote of a majority of the remaining directors of the Board. The Shareholders shall vote all of the Securities and any other voting shares of the Company held by them or over which they have voting control (or shall consent pursuant to an action by written consent of the Shareholders) so as to remove the Breaching Director in accordance with this Clause 6.3.3. In such event, a Breaching Director's replacement shall be nominated by the Shareholders who were entitled to nominate such Breaching Director pursuant to Clause 6.2 and shall immediately be nominated for election to, and placed on, the Board.

6.4. Fees and expenses

The payment of compensation and sitting fees and reimbursement of reasonable travel, board and lodging expenses incurred by Directors in attending Board meetings, Shareholders meetings and other official business of the Company shall be borne by the Company. The Directors will be paid sitting fees in compliance with the provisions of the Act. However, if the Director is an employee of the Company, he will not be entitled to any additional fees for being appointed as the Director on the Board.

6.5. Board Meetings

6.5.1. Meetings of the Board shall be conducted either in person, or Electronic Mode, or *via* teleconference (if permitted under the Act) at least once per quarter during each Financial Year or at such shorter intervals as the Board may determine unanimously.

6.5.2. Meetings of the Board shall be convened at the request of any Director and shall be held at the registered office of the Company or such other place as may be agreed to by the Board of Directors. The meeting shall be conducted in the English language. Minutes of meetings shall be made in the English language.

6.5.3. Each Director shall be entitled to receive all notices, agenda, etc. and to attend all Board meetings and meetings of any committees of the Board of which such Director is a member.

6.5.4. Written notice of at least 7 (Seven) Business Days of every meeting of the Board and that of its committees shall be given to every Director including the Acquirer Nominee Directors at their usual address whether in India or abroad, provided always that a meeting may be convened by a shorter notice of less than 7 (Seven) Business Days with written consent of all the Directors.

6.5.5. The notice of each Board meeting shall include an agenda setting out the business proposed to be transacted at the meeting. Unless waived in

writing by all Directors, any item not included in the agenda of a meeting shall not be considered or voted upon at that meeting of the Board.

6.6. Indemnification of the Directors

6.6.1. Immediately upon the Acquirer Nominee Directors being appointed to the Board, the Company shall procure suitable and adequate Director and Officers Liability insurance in favour of the Directors of the Board from a reputable insurance company in respect of claims or liabilities resulting from the actions or omissions of the Directors of the Company to the extent permitted by Law. Such insurance shall be to the satisfaction or waiver thereof by the Acquirer.

6.6.2. The Company shall indemnify the Directors against:

- (a) any act, omission or conduct (including, without limitation, contravention of any Law) of or by the Company or, its officials, employees, managers, representatives or agents as a result of which, in whole or in part, the Directors is made a party to, or otherwise incurs any direct costs, charges, expenses, damages or loss, including loss pursuant to or in connection with any action, suit, claim or proceeding arising out of or relating to any such act, omission or conduct; and
- (b) any direct loss arising from any action or omission to act by the Directors at the request of the Company.

It is clarified however that no Director may be indemnified against any liability in respect of any negligence, default, misfeasance, breach of duty or trust of which he may be guilty in relation to the Company.

6.7. Decisions and votes

6.7.1. Subject to provisions of the Act, this Agreement and Articles, all decisions of the Board shall be taken by majority vote of the Directors present at the meeting and in the event of no meeting, by the majority of the Board of Directors.

6.7.2. Each Director is entitled to cast 1 (One) vote against each of the resolution being discussed in the Board meeting.

6.7.3. Except as otherwise specified in this Agreement or the Act, the Board will have full power to direct the activities of the Company.

6.7.4. Subject to the provisions of this Agreement (including those relating to unanimous and affirmative vote requirements) and applicable Law, a circular resolution in writing, executed by a majority of the Directors of the Board entitled to vote on such resolution, shall constitute a valid

decision of the Board provided that a draft of such resolution was sent to all of the directors at their usual address (whether in India or outside India) together with a copy of all supporting papers.

6.7.5. The company secretary shall prepare minutes of each meeting of the Board, make concerned entries in the books maintained for such purpose and circulate them to each Board member within 15 (Fifteen) days of the meeting. The Directors may comment on the minutes of the meeting within 7 (Seven) days of receipt of the minutes or such other time period as may be agreed by the Board subject to compliance with the Act. If no comments are made within the time limit set out in this section, the minutes shall be deemed to be accepted. The minutes shall be signed at the commencement of the next Board meeting.

6.8. Quorum for board meetings

6.8.1. A valid quorum shall be deemed to have been constituted at a Board meeting only when at least 1 (One) Promoter Director and 2 (Two) Acquirer Nominee Directors are present at such Board meeting, unless specifically waived in writing by the Acquirer or the Promoters, as the case may be.

6.8.2. If on the date of a meeting, a valid quorum is not present, the meeting shall automatically stand adjourned to the same day and time and at the same venue in the following week, or if that day is a holiday, to the next Business Day (“**First Adjourned Meeting**”). If the quorum is not met at the First Adjourned Meeting, the meeting shall be adjourned at the same day, time and place of the following week, or if that day is a holiday, to the next Business Day (“**Second Adjourned Meeting**”). If the quorum is not met on the Second Adjourned Meeting it shall be adjourned at the same time and at the same place of the following day, or if that day is a holiday, to the next Business Day (“**Third Adjourned Meeting**”).

6.8.3. If the meeting of the Board is adjourned twice in accordance with the provisions of Clause 6.8.2, then whosoever is present on the date of the Third Adjourned Meeting shall constitute the quorum for such meeting, subject to the minimum quorum requirement prescribed under the applicable Law being met. The agenda of each of the adjourned meetings shall, however, remain unchanged. It is clarified that items not specified in the agenda shall not be discussed in such meetings, unless agreed by all the Directors (whether present or not) in writing.

6.8.4. Notwithstanding anything to the contrary contained in this Agreement, till such time that the Promoters hold the Ownership Threshold or is entitled to exercise rights pursuant to Clause 8.3.3. (ii) of the Agreement, any and all resolutions and decisions relating to the items listed in **Schedule 5** to be taken by the Board will require the affirmative consent of at least 1 (One) Promoter Director and 1 (One) Acquirer Director.

7. SHAREHOLDERS' MEETINGS

- 7.1. The Company shall hold a general meeting of the Shareholders by serving a written notice of at least 21 (Twenty One) days or such shorter a period as may be mutually agreed between the Parties at such time, to all Shareholders, with an explanatory statement containing all relevant information relating to the agenda for the general meeting. The written notice shall specify and provide all the details of the action proposed to be undertaken as would reasonably enable the Acquirer to arrive at a decision with respect to such matter.
- 7.2. On the date of the general meeting, the presence of the authorized representative of the Acquirer and the Promoters shall be necessary, in order to constitute a valid quorum for the meeting. In the event that valid quorum is not met at any meeting the procedure set out in Clauses 6.8.2 and 6.8.3 shall be applied mutatis mutandis to the general meeting of the Shareholders.
- 7.3. Notwithstanding anything to the contrary contained in this Agreement, till such time that the Promoters hold the Ownership Threshold or is entitled to exercise rights pursuant to Clause 8.3.3. (ii) of the Agreement, any and all resolutions and decisions relating to the items listed in **Schedule 5** to be taken/decided at a general meeting of the Shareholders of the Company will require the affirmative consent of the Promoters and the Acquirer.

8. MANAGEMENT AND FURTHER FUNDING

8.1. *Management*

Subject to the provisions of this Agreement, the Company and the Company's Business shall be managed on a day-to-day basis, in accordance with the Strategic Plan, by the Promoters. In the event the Acquirer feels that the addition of key personnel would enhance the performance of the Company, the Acquirer shall appoint additional key personnel as it may deem fit. The Shareholders shall at all times be responsible for ensuring that the Strategic Plan and the Annual Budget are implemented effectively and shall further monitor and ensure that the Key Management Team fulfill their obligations as provided for under this Agreement read with their respective employment agreements.

8.2. *Strategic Plan and Annual Budget.*

- 8.2.1. The Promoter and the Acquirer shall prepare, a plan, which would be outlining expectations on the Company's financial performance and specifying, amongst other things, revenues originating from various existing and new product lines, associated costs of production, capital expenditures, required financing and corporate overhead ("**Strategic Plan**"), to be approved by the Board.

8.2.2. The Company shall carry on its business in accordance with the Strategic Plan as approved by the Board and the Strategic Plan would be reviewed by the Promoters and the Acquirer on an annual basis. It is clarified however that the Company shall be entitled to enter into project specific joint ventures in connection with the Business of the Company, it being agreed that 'project specific joint ventures' refer to commercial joint ventures between the Company and customers and/or suppliers and not joint ventures in which the Company will have any equity interest unless otherwise agreed in writing by the Acquirer and the Promoters in accordance with this Agreement.

8.2.3. The Key Management Team in consultation with the Acquirer and the Promoters shall also prepare an Annual Budget (as defined hereafter), which shall specify, amongst other things, revenue projections, production costs, labor costs, general and administrative expenses, appropriate levels of capital expenditures, required financing for capital expenditures, required working capital financing, aspects related to compensation of the Key Management Team, human resource and staff requirements, etc., ("**Annual Budget**") and present it to the Board for its approval.

8.3. *Further Funding.*

8.3.1. In the event the Company needs additional capital in the future the Board shall evaluate all options for financing including internal cash accrued from its business and operations, borrowing from commercial banks, private and public sources, multinational lending institutions and the Shareholders on terms commercially feasible for the Company and the lender and in a manner compliant with applicable Law ("**Funding Options**"). Subsequent to the Funding Options being evaluated and exhausted to the extent commercially feasible, the Company may look to equity infusion by the Shareholders at fair market value as an option. It is clarified that any additional capital contributions of each of the Shareholders shall be made pro-rata to their shareholding at the relevant time.

8.3.2. In the event the Company raises funding by issuing Securities to its existing Shareholders or third parties on account of which the Promoters' shareholding on a collective basis is diluted below 20% of the issued and paid up equity share capital of the Company on a Fully Diluted Basis at such time, but not less than 15% of the issued and paid up equity share capital of the Company on a Fully Diluted Basis, the Ownership Threshold requirements shall stand reduced to 15% of the issued and paid up equity share capital of the Company on a Fully Diluted Basis.

8.3.3. In the event the shareholding of the Promoters' falls below 15% of the paid up and issued equity share capital of the Company on a Fully Diluted Basis solely pursuant to the aforementioned fund raising activities, for :

- (i) restoring financial stability, upon the Company restoring its financial stability, the Promoter will be entitled to subscribe to such number of Equity Shares of the Company to restore their shareholding to the Ownership Threshold at a price equal to 25% (Twenty Five) discount to the fair market value of the Company at such time, within a period of 12 (Twelve) months from the receipt of an written intimation from the management of the Company as to the restoration of financial stability as may be confirmed by the Board (“**Subscription Period**”), provided however, if the Board disagrees with the recommendation of the management of the Company, this decision with respect to restoration of financial stability will be referred to one of the Big Four Accounting Firms, other than the statutory auditors of the Company, whose decision shall be binding, in which case the Subscription Period shall begin from the date of decision of the Big Four Accounting Firm referred above. The cost of appointing the Big Four Accounting Firm shall be borne by the Acquirer.
- (ii) a Capital Expansion, the Promoters will be entitled to put all the Equity Shares held by them on the Acquirer at a price equal to the fair market value of the Company attributable to such Equity Shares on a Fully Diluted Basis in accordance with the provisions of Clause 9.7. It is clarified however, that notwithstanding anything to the contrary, in the event of a Capital Expansion, if the Promoters are entitled to enjoy the rights under this Agreement irrespective of the shareholding of the Promoters having fallen below the Ownership Threshold, the Promoters shall not be entitled to exercise the put option granted in this Clause, until such time that the rights continue without prejudice to any other rights that either Party may have under this Agreement.

9. TRANSFER OF SHARES

9.1. *Prohibition on Transfer*

No Shareholder shall Transfer any Securities without first complying with the terms of this Agreement. Any Transfer or attempted Transfer in violation of this Agreement, shall not be recognized by the Company and shall be void and of no force or effect whatsoever.

9.2. *Promoters’ lock-in*

9.2.1. Subject to the terms of this Agreement, the Promoters undertake and covenant to hold not less than 30% of the paid up and issued equity share capital of the Company on a Fully Diluted Basis during the Lock-in Period, except if the Promoters get diluted in the event of

issuance of Securities in which case percentage of shareholding required to be maintained by the Promoters during the Lock-in Period shall be revised such that percentage as existing after the dilution.

- 9.2.2. The Parties agree that the Promoters shall, for a period of 48 (Forty Eight) months from the Closing Date, not be entitled to Transfer their shareholding in the Company ("**Lock-in Period**") to any Person without the prior written consent of the Acquirer.
- 9.2.3. During the Lock-in Period, the Promoters may, subject to receiving the prior written consent of the Acquirer and if required under the terms of their financing of the business, the other lenders of the Company, create an Encumbrance on their shareholding in the Company to secure the financing arrangements of their Affiliates. The Promoters shall provide the Acquirer with such information that the Acquirer may require in connection with the aforesaid Encumbrance.
- 9.2.4. Notwithstanding anything contained herein before, the restriction on the Transfer of Securities shall not be applicable in the following Transfers by the Promoters, subject to Promoter 2 holding not less than 15% of the paid up and issued equity share capital of the Company during the Lock-in Period:
- a) Transfers *inter-se* the Promoters and their Relatives;
 - b) Transfers to Affiliates, provided however that upon the Affiliates ceasing to be Affiliates of the Promoters, the Affiliates will retransfer the Securities to the relevant Promoter; and
 - c) Transfers under the laws of succession and inheritance.

Notwithstanding the aforesaid, in the event of such a transfer the transferring Promoter shall be liable for all the actions/inactions and the obligations of the transferee referred to above under this Agreement.

9.3. *Acquirer's Right of First Offer*

- 9.3.1. Subsequent to the Lock-in Period, the Promoters shall be entitled to sell their entire shareholding in the Company subject to the provisions of this Clause 9.3 provided however that the Promoters will not be entitled to transfer less than 5% of the paid up and issued equity share capital of the Company at one time.
- 9.3.2. Subject to the aforesaid, in the event any of the Promoters intends to sell his shareholding in the Company ("**Offeror**") to a third party, then the Offeror must first offer such Securities ("**Offered Securities**") to the Acquirer. The Acquirer shall have a right, but not the obligation, to purchase all but not less than all of the Offered Securities from such Offeror ("**Right of First Offer**") in accordance with this Clause 9.3.

- 9.3.3. The Offeror shall send a written notice to the Acquirer (**“Intention to Offer Notice”**) intimating the Acquirer of his intention to offer Offered Securities and call upon the Acquirer to mutually appoint one of the Big Four Accounting Firms in terms of this Clause to arrive at the fair market value of the Company attributed to the Offered Securities for the purpose of determining the ROFO Price. The Acquirer and Offeror shall complete such appointment within 7 (Seven) Business Days of receipt of such Intention to Offer Notice, failing which the Offeror shall appoint any one of the Big Four Accounting Firms for the purpose of this Clause. Immediately upon the determination of the fair market value of the Company attributed to the Offered Securities by the Big Four Accounting Firms as contemplated above, the Offeror shall send a written notice (the **“ROFO Notice”**) to the Acquirer, informing the Acquirer in reasonable detail the terms and conditions on which the Offeror proposes to sell the Offered Securities (**“ROFO Terms”**), including the price per security of the Offered Securities which shall be the fair market value of the Company attributed to the Offered Securities as determined by one of the Big Four Accounting Firms appointed as set out above (**“ROFO Price”**). The cost of appointing the Big Four Accounting Firm shall be borne by the Offeror.
- 9.3.4. In the event the Acquirer intends to purchase the Offered Securities on the ROFO Price, the Acquirer shall exercise the Right of First Offer, by serving upon the Offeror a written notice (**“ROFO Exercise Notice”**) in that regard within 45 (Forty Five) Business Days of receipt of the ROFO Notice (**“ROFO Exercise Period”**). Within a period of 45 (Forty Five) Business Days from the date of receipt of the ROFO Exercise Notice, the Offeror shall tender the Offered Securities to the Acquirer and the Acquirer shall pay the Offeror the consideration for the Offered Securities at the ROFO Price.
- 9.3.5. In the event that the Acquirer declines in writing to purchase the Offered Securities at the ROFO Price, (**“ROFO Rejection Notice”**) or fails to provide the Offeror with the ROFO Exercise Notice within the ROFO Exercise Period, in accordance with the provisions of this Clause 9.3, the Offeror shall be free to sell the Offered Securities to any third party purchaser at a price not less than the ROFO Price. In no event shall the Offeror sell the Offered Securities directly or indirectly to a Competitor.
- 9.3.6. It is clarified that any sale of the Offered Securities to a third party purchaser must be completed within 90 (Ninety) Business Days of the expiry of the ROFO Exercise Period or the Acquirer sending a ROFO Rejection Notice, as the case may be, failing which the Acquirer’s Right of First Offer shall reapply to any sale of the Securities held by the Promoters including the Offered Securities.

- 9.3.7. The purchase of the Offered Securities by the Acquirer under this Clause 9.3 shall be subject to the necessary Consents, if any, being obtained. All time taken by the Acquirer to obtain such Consents shall be excluded from computing the number of days for the Acquirer to enforce its rights as set out above.

9.4. *Acquirer's Drag Along Right*

- 9.4.1. In the event the Acquirer desires to sell all of its shareholding to any third party (other than an Affiliate) ("**Buyer**") it shall have the right to require the Promoters to sell, along with the Acquirer, to such Buyer all Equity Shares/Securities held by each of them (the "**Drag Along Right**"), as may be specified in the Drag Along Notice to be provided by the Acquirer pursuant to Clause 9.4 hereof, at the same price offered by the Buyer to the Acquirer for its shareholding ("**Buyer Price**") and on the same terms offered by the Buyer to the Acquirer ("**Buyer Terms**"). The Acquirer shall exercise best efforts to ensure that the Buyer Price is at or above the fair market value of the Company attributable to such Equity Shares/Securities at such time.
- 9.4.2. The sale of Securities pursuant to the exercise of the Drag Along Right shall be free from any Encumbrance and where such Securities are not free and clear of Encumbrances, the Acquirer, the Promoters and the Buyer shall discuss and arrive at a resolution on the manner in which such Encumbrance may be released within a period of 45 (Forty Five) days from the date of the Drag Along Notice. The Lock-in period as provided under Clause 9 shall not be applicable in such cases of transfer of Securities.
- 9.4.3. Pursuant to Clause 9.4.1 above, if the Acquirer wishes to exercise its Drag Along Right, it shall deliver a written notice to the Promoters informing them of its intention to sell to the Buyer, at the Buyer Price and the Buyer Terms, all of its shareholding as well as to require the Promoters to sell to the Buyer all of their shareholding, along with details of the name of the Buyer (and if the Buyer is not the ultimate beneficial owner, the details of the ultimate beneficial owner) (the "**Drag Along Notice**").
- 9.4.4. Upon receipt of a Drag Along Notice, the Promoters shall along with the Acquirer (i) sell all of their Securities, free of any Encumbrance(s); (ii) take all necessary action to cause the consummation of such transaction, including voting in favor of such transaction; (iii) if applicable, waive any dissenters' rights, pre-emptive rights, appraisal rights or similar rights, as the case may be; (iv) provide representations and warranties along with the indemnities, in proportion to their shareholding; (v) provide for reasonable non-compete and non solicitation undertakings in relation to the Company's Business; (vi) provide such other covenants, provided the Promoters have negotiated

with the Buyer along with the Acquirer the terms of such covenants, in proportion to the shareholding on a Fully Diluted Basis between the Acquirer and the Promoters; (vii) cause the Directors other than the Acquirer Nominee Directors to resign from the Board with effect from the date of the transaction; and (viii) use their best efforts to take all other actions, including entering into appropriate agreements and other documents, reasonably required to effectuate fully the transaction.

9.4.5. The purchase/sale under this Clause 9.4 shall be subject to the necessary Consents, if any, being obtained. All time taken by the Acquirer and/or the Promoters, as the case maybe, to obtain such Consents shall be excluded from computing the number of days for enforcement of rights under this Clause.

9.5. *Promoters' Tag Along Right.*

9.5.1. Notwithstanding anything to the contrary contained in this Agreement, in the event the Acquirer intends to sell more than 50% of the paid up and issued equity share capital of the Company on a Fully Diluted Basis to a third party purchaser (other than an Affiliate) ("**Buyer**"), the Promoters shall have the right but not an obligation to elect to participate in the sale of their entire shareholding ("**Tag Along Right**"), on the same terms and conditions as those offered by the Buyer to the Acquirer on the sale of its Securities ("**Buyer Terms**"). The Acquirer shall intimate the Promoters by way of a written notice of the proposed sale by the Acquirer (hereinafter the "**Sale Notice**"). The Sale Notice shall state inter-alia:

- (i) the number of Securities of the Company proposed to be sold ("**Sale Securities**"); and
- (ii) the Buyer Terms;.

9.5.2. The Promoters shall be entitled to exercise their Tag Along Right by intimating the Acquirer of the same within 30 (Thirty) Business Days of the receipt of the Sale Notice ("**Tag Period**") by way of a written notice (the "**Tag Along Notice**"). The Tag Along Notice shall state the number of all Securities held by the Promoters ("**Tag Securities**") as of the date of the Tag Along Notice.

9.5.3. Upon receipt of a Tag Along Notice, the Promoters shall along with the Acquirer (i) sell all of the relevant Sale Securities and Tag Securities, free of any Encumbrance(s); (ii) take all necessary action to cause the consummation of such transaction, including voting in favor of such transaction; (iii) if applicable, waive any dissenters' rights, pre-emptive rights, appraisal rights or similar rights, as the case may be; (iv) provide representations and warranties along with the indemnities, in proportion to their shareholding; (v) provide for reasonable non-

compete and non-solicitation undertakings in relation to the Company's Business; (vi) provide such other covenants, provided the Promoters have negotiated with the Buyer along with the Acquirer the terms of such covenants, in proportion to the shareholding on a Fully Diluted Basis between the Acquirer and the Promoters; (vii) cause the Directors other than the Acquirer Nominee Directors to resign from the Board with effect from the date of the transaction; and (viii) use their best efforts to take all other actions, including entering into appropriate agreements and other documents, reasonably required to effectuate fully the transaction.

9.5.4. The purchase/sale under this Clause 9.5 shall be subject to the necessary Consents, if any, being obtained. All time taken by the Acquirer and/or the Promoters, as the case maybe, to obtain such Consents shall be excluded from computing the number of days for enforcement of rights under this Clause.

9.5.5. The Lock-in period as provided under Clause 9 shall not be applicable in such cases of transfer of Tag Securities.

9.5.6. In the event that the Promoters do not deliver a Tag Along Notice to the Acquirer prior to the expiry of the Tag Along Period or the Promoters elect not to exercise their Tag Along Right ("**No Tag Notice**"), then, upon the expiry of the Tag Along Period or upon receipt of the No Tag Notice, as the case may be, the Acquirer shall be entitled to sell the Sale Securities to the Buyer mentioned in the Sale Notice on the same terms as specified in the Sale Notice within 180 (One Hundred and Eighty) Business Days from the expiry of the Tag Along Period or upon receipt of the No Tag Notice, as the case may be. Upon the expiry of the aforesaid 180 (One Hundred and Eighty) Business Days period, the Acquirer shall be required to again comply with the provisions of this Clause 9.5.

9.5.7. The Acquirer shall not be entitled to sell the Sale Securities if the Buyer does not purchase all, but not less than all, of the Tag Securities.

9.6. *Acquirer's Call Option*

9.6.1. The Promoters jointly and severally hereby grant to the Acquirer an irrevocable call option right ("**Acquirer Call Option Right**") with respect to all the Securities held by the Promoters exercisable (i) at any time after the expiry of the Lock-in Period and/or (ii) in the event of the occurrence of the Acquirer Call Option Event.

9.6.2. If at any time an Acquirer Call Option Event has occurred, the Acquirer shall give a written notice to the Promoters requiring such breach or the event to be rectified within 90 (Ninety) days of receipt of the notice. If such event is not satisfactorily remedied within the said 90 (Ninety) day period, then the Acquirer shall have the right (whether by itself or through a nominee) to call upon the Promoters to sell all of

the Securities held by the Promoters to the Acquirer and/or its nominees at the Acquirer Call Option Price detailed below. As an exception to the above, the Parties agree that where the Acquirer Call Option Event is triggered, upon the Promoters being charged by the Board in a meeting where at least 1 (one) Promoter Director (and not the alternate director of the Promoter being charged) is present for such a resolution, for gross misconduct or fraud in relation to the conduct of the Business, then the 90 (Ninety) day period to rectify such charge shall not be applicable and the Acquirer shall be able to call upon the Promoters to sell all of the Securities held by the Promoters to the Acquirer and/or its nominees at the Acquirer Call Option Price detailed below at any time subsequent to the Acquirer issuing a written notice stating that the said Acquirer Call Option Event has occurred.

- 9.6.3. The Acquirer shall be entitled to exercise the Acquirer Call Option Right by issuing a written notice to the Promoters in this regard (“**Call Option Notice**”). The Call Option Notice shall state (i) the entire Securities held by the Promoters (“**Call Option Securities**”); (ii) the Acquirer Call Option Price; and (iii) such other terms that the Acquirer may so determine with respect to the sale. The issuance of a Call Option Notice shall constitute a legal and binding obligation of the Acquirer to purchase (through itself or its nominees) and the Promoters to sell the Call Option Securities free of all Encumbrances within a period of 45 (Forty Five) Business Days of the delivery of the Call Option Notice unless the Acquirer withdraws the same prior to the Promoters tendering their Call Option Securities to the Acquirer or the Parties agree otherwise.
- 9.6.4. For the purposes of this Clause “**Acquirer Call Option Event**” shall mean the occurrence of any of the following: (i) a Material Breach; or (ii) if any bankruptcy (insolvency) petition is voluntarily filed by the Promoters or if any bankruptcy (insolvency) petition filed against the Promoters is admitted by the court of competent jurisdiction. It is clarified however that in the event the Acquirer has been duly indemnified under Clause 15 for any Claims arising out of an Acquirer Call Option Event, the Acquirer shall not be entitled to exercise the Acquirer Call Option Right.
- 9.6.5. For the purposes of this Clause the Promoters shall be in “**Material Breach**” if they:
- (i) have been charged by the Board in a meeting where at least 1 (one) Promoter Director (and not the alternate director of the Promoter being charged) is present for such a resolution with gross misconduct or fraud in relation to the conduct of the Business of the Company;

- (ii) act in breach of their employment agreement with the Company leading to their employment in the Company being terminated with cause in terms of the provisions of the employment agreement;
- (iii) Promoter 2 voluntary resigns from his employment without the consent of the Acquirer, for reasons other than solely those attributable to the Company or the Acquirer, which consent shall not be unreasonably withheld if the resignation is owing to physical or mental health of the Promoter 2 warranting termination of the employment;
- (iv) are in breach of Clauses 9.2 (Lock-in Period), 9.3 (Right of First Offer), 9.4 (Drag Along), 10.4 (Non-Compete) and 10.5 (Non-Solicitation) of this Agreement at any time.

9.6.6. For the purposes of this Clause, “**Acquirer Call Option Price**” shall mean,

- (a) a price per share equal to the fair market value of the Company attributable to such share if the Acquirer Call Option right is being exercised on occurrence of (i) Acquirer Call Option Event specified in Clause 9.6.4(ii); or (ii) at any time after the Lock-in Period (except on occurrence of Acquirer Call Option Event specified in Clause 9.6.4(i)), and
- (b) price per share equal to the net asset value of the Company attributable to those shares or 50 % of the fair market value of the Company attributable to those shares, whichever is higher, in each case, subject to applicable Law, where the Acquirer Call Option right is being exercised on account of a Material Breach having occurred in terms of Clause 9.6.4.(i).

The “net asset value” and/or the “fair market value” for the purpose of this Clause shall be determined by a Big Four Accounting Firm appointed at the cost of (a) the Promoters in the event the Call Option Right is being exercised due to Material Breach in terms of 9.6.4(i); and (b) the Acquirer, in all other cases. The Parties agree to do all such acts as may be necessary to achieve the objective of this Clause in a manner compliant with applicable Law and where the Call Option Securities of the Promoters are not free and clear of Encumbrances, the Acquirer and the Promoters shall discuss and arrive at a resolution on the manner in which such Encumbrance may be released within a period of 10 (Ten) Business Days of the Acquirer calling upon the Promoters and requiring them to sell such Call Option Securities.

9.6.7. In the event the matters under this Clause are referred to arbitration as per the provisions of Clause 16 of this Agreement, the Promoters will be obliged to tender the Call Option Securities only after the

pronouncement of the award in respect thereof in favour of the Acquirer.

- 9.6.8. The purchase/sale under this Clause 9.6 shall be subject to the necessary Consents, if any, being obtained. All time taken by the Acquirer and/or the Promoters, as the case maybe, to obtain such Consents shall be excluded from computing the number of days for enforcement of rights under this Clause.

9.7. *Put Option*

- 9.7.1. The Acquirer hereby grants the Promoters a put option over all the Securities held by the Promoters exercisable jointly (“**Promoter Put Option Right**”) (i) at any time after the expiry of 7 (Seven) years from the Closing subject to the Company not being listed; and/or (ii) within 1 (One) month of the Board passing a final resolution approving the Capital Expansion in terms of Clause 8.3(ii) where by Promoters shareholding falls below 15%, except where the Promoters have been permitted to enjoy the rights under this Agreement irrespective of the shareholding of the Promoters having fallen below the Ownership Threshold due to Capital Expansion in terms of Clause 8.3(ii). However, a Promoter Put Option Right shall not be exercisable upon happening of an Acquirer Call Option Event, and/or in the event the Acquirer has sent a Drag Along Notice in accordance with the provisions of Clause 9.4 prior to the issuance of a Put Option Notice. It is clarified that the Promoter Put Option Right shall be exercisable with respect to all, but not less than all, of the Securities held by the Promoters at the time of exercise of the Promoter Put Option Right.
- 9.7.2. The Promoters shall be entitled to exercise the Promoter Put Option Right by issuing a written notice to the Acquirer in this regard (“**Put Option Notice**”). The Put Option Notice shall state (i) the total number of Securities that the Promoters hold (“**Put Option Securities**”) (ii) the Put Option Price and (iii) such other terms as the Promoters may determine. The issuance of a Put Option Notice shall constitute a legal and binding obligation of the Acquirer to purchase (through itself or its nominees) and the Promoters to sell the Put Option Securities free of all Encumbrances within a period of (a) 18 (Eighteen) months, where the Put Option Notice is served pursuant to Clause 9.7.1(i); and/or (b) 12 (Twelve) months, where the Put Option Notice is served pursuant to Clause 9.7.1(ii) of the receipt of the Put Option Notice unless the Promoters withdraw the same prior to the Acquirer informing the Promoters that the Acquirer has procured financing for the purposes of purchasing the said Put Option Securities, or the Parties agree otherwise.

9.7.3. For the purposes of this Clause, “**Put Option Price**” shall mean a price per share equal to the fair market value of the Company attributable to those shares as determined by a Big Four Accounting Firm appointed by the Promoters at the cost of the Promoters. The Parties agree to do all such acts as may be necessary to achieve the objective of this Clause in a manner compliant with applicable Law.

9.7.4. The purchase/sale under this Clause 9.7 shall be subject to the necessary Consents, if any, being obtained. All time taken by the Acquirer and/or the Promoters, as the case maybe, to obtain such Consents shall be excluded from computing the number of days for enforcement of rights under this Clause.

9.8. *Other Provisions Relating To Transfers*

9.8.1. Acquirer’s right to majority shareholding: Unless otherwise agreed by the Acquirer, subsequent to the Closing, the Acquirer shall be entitled to, at all times, own and control the beneficial and economic interest of not less than 70% (Seventy per cent) of the total issued and paid up equity share capital of the Company on a Fully Diluted Basis, free and clear of all Encumbrances.

9.8.2. The Shareholders shall procure that, before any third party or an Affiliate, who is not a Competitor, is registered as a holder of any Securities, such third party or an Affiliate shall sign a Deed of Adherence, in the manner as more particularly provided for at **Exhibit C**, agreeing to be bound by all the terms of this Agreement which apply to such Person (“**Deed of Adherence**”). Upon signature of the Deed of Adherence, and provided that the other requirements of this Agreement have been complied with in relation to the Transfer of Securities to such third party or an Affiliate (alone or together with other Shareholders) shall enjoy all of the rights and benefits and shall be bound by all the obligations under this Agreement in the place of or in addition to the Shareholder that transferred such Securities. For the avoidance of doubt, it is clarified that, the sum total of all rights between the transferor Shareholder and the transferee Shareholder shall remain the same and shall not stand enhanced in any manner whatsoever, unless mutually decided by the Parties in writing at that time.

9.8.3. Should Consent of a Governmental Authority be required for a sale and/or Transfer of Securities under this Agreement, the transferor or the transferee or both together, as the case may be, shall immediately make or have made an application therefore and shall take in good faith such reasonable action as may be necessary or desirable to obtain such Consent. It is clarified that the time taken for obtaining Consents shall be excluded from the time limits or periods set out for the sale, purchase and Transfer of the Securities under this Agreement.

10. COVENANTS AND UNDERTAKINGS

10.1. *Acquirers non compete*

The Acquirer undertakes to the Promoters that, without prejudice to any other duty implied by Law or equity, the Acquirer shall not directly invest in a company in India which directly or indirectly, sells or manufactures any products which the Company manufactures in the course of its Business at the time of such investment (“**Restricted Business**”) during the term of this Agreement without the prior consent of the Promoters. Provided that nothing contained in this Clause 10.1 would impair the ability of the Acquirer to invest indirectly through the Company in a company which directly or indirectly, sells or manufactures any products which are in the same product line as that of the Company. The Acquirer agrees that in the event the Acquirer proposes to invest in an entity or a business engaged in a business similar to that of the Company other than a Restricted Business, it shall discuss such a matter at the Board prior to such investment whose decision shall be binding.

10.2. *Related Party Transactions*

The Company and the Selling Shareholders undertake that all existing arrangements with Related Party(ies) as set out in **Schedule 6** supporting and necessary for carrying out the Company’s Business shall continue to be made available for the Company’s Business subsequent to the consummation of the Transaction. The Company shall ensure that all future transactions other than the ones set out above between the Company and Related Party(ies) are carried out on an arms’ length basis.

10.3. *Compliances*

The Company shall at all times comply with the provisions provided in **Schedule 7**.

10.4. *Selling Shareholders’ non-compete*

The Other Shareholders undertake, and shall cause their Relatives to undertake (collectively the “**Restricted Party**”), that, without prejudice to any other duty implied by Law or equity, the Restricted Party shall not, directly or indirectly, sell or manufacture any products which are being sold and manufactured by the Company as of the Closing Date or be concerned in a business, which competes with the Company’s Business as of the Closing Date, for a period of 4 (Four) years from the Closing Date.

The Promoters undertake and shall cause their Relatives to undertake that, without prejudice to any other duty implied by Law or equity, the Promoters and their Relatives shall not, directly or indirectly, sell or manufacture any products which are being sold and manufactured by the Company or be concerned in a business, which competes with the Company’s Business or any

business carried on by the Company or any of the Company's subsidiaries, during the term of this Agreement, and for a period of 4 (Four) years post the complete exit by the Promoters. Notwithstanding anything contained herein above, this non-compete obligation would lapse with respect to the Promoters and their Relatives in the event of exercise of Acquirer Call Option Right pursuant to Clause 9.6.1(i).

For the purposes of this Clause, a Selling Shareholder is concerned in a business if:

- (i) he/it carries it on as principal or agent; or
- (ii) he/it is a partner, director, employee, secondee, consultant or agent in, of or to the Competitor; or
- (iii) he/it has any financial interest (as a shareholder or otherwise) in a Competitor except where such financial interest constitutes 1% or less of the stock or securities of any company, which is listed on a recognized national stock exchange and is in the nature of an investment without the power to control and/or direct the affairs of such company; or
- (iv) he/it is a partner, director, employee, secondee, consultant or agent in, of or to any Person who has a direct or indirect financial interest (as shareholder or otherwise) in Competitor except where such financial interest constitutes 1% or less of the stock or securities of any company, which is listed on any recognized national stock exchange and is in the nature of an investment without the power to control and/or direct the affairs of such company; or
- (v) if any of his/its Affiliate/ Relatives carries on such business, provided however in such an event the Selling Shareholders shall be obligated to cause their respective Related Parties (other than their Affiliates including KLR Engineers Private Limited, Epoxy Terminal and Equipment Private Limited and PETE Transformers Private Limited) to comply with the aforementioned obligation under this Clause 10.4 (v) only on a best effort basis.

Nothing contained in this Clause 10.4 would impair the ability of KLR Engineers Private Limited or PETE Transformers Private Limited or Epoxy Terminal and Equipment Private Limited to conduct the KLR Business or PTPL Business or ETEPL Business as is being currently conducted. It is hereby clarified however that the Selling Shareholders shall ensure that KLR Engineers Private Limited or PETE Transformers Private Limited or Epoxy Terminal and Equipment Private Limited do not engage in the activities related to the design, manufacture, repair or service of transformers.

10.5. *Selling Shareholders' non-solicitation.*

The Selling Shareholders expressly covenant that during the term of this Agreement, and for a period of 4 (Four) years post the complete exit by the Promoters, they shall not, directly or indirectly through any Person, and shall

cause their Relatives to not, directly or indirectly, without the prior written consent of the Acquirer:

- (i) solicit or attempt in any manner to solicit or to persuade any person, firm or entity which is a client/customer/ supplier/contractor of the Company to cease doing business or to reduce the amount of business which any such client/customer/supplier/contractor has customarily done with the Company whether or not the relationship between the Company and such client/ customer/supplier/contractor was originally established in whole or in part through the efforts of the Selling Shareholders; or
- (ii) employ or attempt to employ, solicit or assist anyone else to employ or solicit any Person who is in the employment of the Company and/or its subsidiaries, or was in the employment of the Company and/or its subsidiaries as of the Effective Date and from the Effective Date onwards or is rendering exclusive consultancy services to the Company and/or its subsidiaries or was rendering exclusive consultancy services to the Company and/or its subsidiaries as of the Effective Date, provided however that this obligation shall not apply to (a) employees (other than Key Management Team), who were dismissed from employment by the Company and/or its subsidiaries; and with respect to consultants, whose services were terminated by the Company and/or its subsidiaries or not renewed for a period of 12 (Twelve) months from the date of expiry of the contract; or (b) with respect to employees, voluntarily resigned from the Company and/or its subsidiaries and a period of 12 (Twelve) months have elapsed since the date of resignation and with respect to consultants, who terminated their contracts prior to the expiry of term voluntarily and a period of 12 (Twelve) months have elapsed since the date of termination.

Provided however the Selling Shareholders shall be obligated to cause their Relatives (other than their Affiliates including KLR Engineers Private Limited and PETE Transformers Private Limited or Epoxy Terminal and Equipment Private Limited) to comply with the aforementioned obligation under this Clause 10.5 only on a best effort basis.

10.6. *Undertaking*

Each Selling Shareholder agrees that the consideration being paid by the Acquirer to the Selling Shareholders under this Agreement for the Purchase Shares is sufficient consideration for the obligations imposed on the Selling Shareholders under Clauses 10.4 and 10.5 and for the good-will of the business being carried out by the Company. Each Selling Shareholder acknowledges that the restrictions on its activities and the activities of its respective Affiliates and Relatives under Clauses 10.4 and 10.5 constitute a material covenant for the transactions contemplated under this Agreement and the other Transaction Documents, and further acknowledge, stipulate and agree that a breach of any of the obligations and agreements set forth in Clauses 10.4 and 10.5 will result in irreparable harm and continuing damage

to the Acquirer for which there will be no adequate remedy at law and further agree that in the event of any breach of said obligations and agreements, the Acquirer and its successors and assigns will be entitled to injunctive relief and to such other relief as is proper under the circumstances. Each Selling Shareholder hereby acknowledges and agrees that the limitations as to time and the limitations of the character or nature placed in Clauses 10.4 and 10.5 are reasonable and fair and will not preclude such Selling Shareholder from earning a livelihood, nor will such limitations unreasonably impose limitations on the ability of such Selling Shareholder to earn a living. In addition, each Selling Shareholder agrees and acknowledges that the potential harm to the Acquirer and, post-closing, the Company, resulting from the non-enforcement of Clauses 10.4 and 10.5 outweighs any potential harm to the Selling Shareholders resulting from the enforcement of Clauses 10.4 and 10.5 and each Selling Shareholder has given careful consideration to the restraints imposed upon the Selling Shareholders by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of the Company's Business and the goodwill transfers.

10.7. *Employees and resources of the Company.*

The Company and the Promoters expressly covenant and undertake that employees and resources of the Company shall at all times be employed/utilized towards the activities of the Company or the Company's Business and shall at no instance be deployed or diverted towards carrying out any work/activities for any Affiliate of the Promoters.

Further, the Key Management Team shall have executed their respective employment agreements containing inter-alia obligations concerning a non-compete, non-solicitation and a confidentiality agreement with the Company, in a form acceptable to the Acquirer.

10.8. *Intellectual property, technical know-how, trade secrets, etc.*

The Company, the Selling Shareholders and the Acquirer expressly covenant and undertake that the intellectual property, technical know-how, and trade secrets of the Company, including innovative processes of manufacture being employed by the Company, shall at all times be maintained as confidential and be retained and utilized only by the Company.

10.9. *Restrictions and obligations with respect to lenders.*

10.9.1. The Company and the Promoters shall not renegotiate terms/obligations applicable with respect to existing credit facilities availed by the Company that may affect the rights of the Acquirer under this Agreement including with respect to conversion of debt into shares of the Company, appointment of nominee directors on the Board. In case any such restriction or obligation affecting the rights of the Acquirer under this Agreement is required to be imposed or undertaken, then the Promoters shall notify the Acquirer of such requirement and mutually arrive at a resolution on the manner in which such requirement may be

addressed.

10.9.2. The Company and the Promoters undertake to be in compliance of the provisions of the agreements/documentation governing the credit facilities availed by the Company till such time that the Closing is consummated, subsequent to which it shall be the obligation of all the Shareholders to be in compliance of the provisions of the agreements/documentation governing the credit facilities availed by the Company, except as provided in the Agreement.

10.10. *Use of Acquirer's Marks*

In the event the Acquirer decides on inclusion of Acquirer's marks in the name of the Company and Acquirer's trademarks in the products manufactured and stationery, websites and signage used by the Company, the Company and the Promoters expressly covenant and undertake to assist and do all such acts as may be required by the Acquirer in implementing the provisions of this Clause 10.10.

10.11. *Change of Name*

The Company and the Promoters expressly covenant and undertake to change the name of PETE Transformers Private Limited to a name acceptable to the Acquirer and not similar to the name of the Company within 60 (Sixty) days from the Closing.

10.12. *Transition Support*

The Company and the Promoters expressly covenant and undertake to render all necessary support to the Acquirers as may be necessary for the purposes of running the Business and implementing the Strategic Plan from and after the Closing Date including but not limited to (i) introducing the Acquirers to the Company's existing customers and suppliers; (ii) transferring the know-how of the Business to the Acquirer in a systematic manner; (iii) generating support of the Key Management Team in connection with the Acquirer; and (iv) such other acts as the Acquirer may so require in connection with the aforesaid.

10.13. *Good and adequate consideration.*

Without prejudice to any other such undertaking in this Agreement, the Selling Shareholders agree, covenant and undertake that the consideration being paid to the Selling Shareholders for the Purchase Shares being transferred to the Acquirer is good and adequate consideration for the Selling Shareholders to perform their obligations under this Agreement and the other Transaction Documents. The Selling Shareholders acknowledge that the undertaking and covenant under this Clause 10.13 constitute a material covenant for the Transactions contemplated under this Agreement and the other Transaction Documents.

10.14. *Other Covenants*

- 10.14.1. The Promoters shall promptly within 3 (Three) months from the Closing Date or such other date as may be agreed between the Parties, take all steps including but not limited to making an application with the lenders for full release of the Promoters from the Promoters' Guarantees and Collateral Securities provided however the Promoters shall use their reasonable endeavor to ensure that the terms of financing available to the Company from its lenders as on the Effective Date are not less favourable post the release of the Promoters' Guarantees and Collateral Securities. Further, the Promoters hereby undertake that till such time the Promoters' Guarantees and Collateral Securities have been released and the same has been replaced to the satisfaction of the lenders, they would not jeopardize the Promoters' Guarantees and Collateral Securities and shall endeavor to protect the interest of the Company at all times.
- 10.14.2. The Acquirer hereby agrees to cooperate in good faith with the Promoters for the purposes of procuring release of the Promoters' Guarantees and Collateral Securities under Clause 10.14. 1 and post the Closing Date shall cause the Company to take all such actions as may be necessary to give effect to the provisions of this Clause.
- 10.14.3. The Parties agree that there shall be no change in the tax auditors of the Company as existing on the Closing Date for the Financial Years 2011 – 2012 and 2012 – 2013 unless otherwise agreed in writing between the Parties.

11. EXERCISE OF RIGHTS

- 11.1. The rights of the Selling Shareholders, if any, under this Agreement shall be exercised against the Acquirer only through the Promoters. It is also clarified that the Acquirer's exercise of rights under this Agreement against the Selling Shareholders may be carried out through a written notice to the Promoters unless a separate written notice has been issued to the Selling Shareholders (excluding the Promoter) in which case such written notice shall subsist.
- 11.2. All rights of the Acquirer to acquire or Transfer Securities pursuant to this Agreement, including pursuant to the Acquirer Call Option, Acquirer Drag Along Right, Acquirer's Right of First Offer, may be exercised either by itself or through its Affiliates.

12. INFORMATION AND REPORTING

- 12.1. Each Shareholder shall receive from the Company:
- (i) monthly (un-audited) financial statements within 3 (Three) days from the end of the preceding month,

- (ii) annual (audited) financial statements within 30 (Thirty) days following the closure of the preceding Financial Year or such other period as may be required by the Board ,
- (iii) annual direct and indirect tax returns within 30 (Thirty) days following filing the same with the relevant tax authorities,
- (iv) Annual Budget Plan which shall be finalized with the consent of the Acquirer and approved by the Board, and
- (v) such other documents, as the Acquirer may reasonably request.

12.2. The aforementioned financial statements shall be submitted including and along with financial projections, order book, business strategy, credit position and cash flow statements, progress reports in individual contract execution and individual project profitability, and such other information and documents as the Board may reasonably request.

12.3. The Company shall take all steps, to the satisfaction of the Acquirer, to collate and provide the information to generate the statements mentioned in Clause 12.12.12. Further, the Company shall take steps, including but not limited to appointing concurrent auditors for monitoring the processes and systems of such sites/offices where there appear to be inadequate controls in the opinion of the Acquirer. Such concurrent auditors shall report directly to the Board on a quarterly basis.

13. VISITATION AND INSPECTION RIGHTS

13.1. Each Shareholder holding not less than 5% of the equity share capital of the Company on a Fully Diluted Basis shall be permitted, at all times during normal business hours, subject to reasonable notice being given, to visit the offices and project sites of the Company and to inspect its material contracts and financials. Additionally, the Company and the Promoters hereby expressly agree to facilitate meetings that the Acquirer may request with the Company's bankers, clients, suppliers, etc.

14. EXPENSES

14.1. All parties shall be responsible for their own costs in connection with the Transaction and the Transaction Documents except with respect to stamp duties payable in connection with the transfer of Purchase Shares, including on the share transfer deeds and on the Transaction Documents, which shall be borne by the Acquirer.

15. INDEMNIFICATION

15.1. *Indemnity by the Selling Shareholders to the Acquirer and the Company*

15.1.1. The Promoters jointly and/or severally (an "**Indemnifying Acquirer Party**") hereby indemnify, defend and hold harmless, on demand, the Company, the Acquirer (whether through the Company or independently) and its directors, officers, employees (each, an "**Indemnified Acquirer Party**") to the fullest extent permitted by

Law from and against any and in respect of any and all claims, actions, demands, and/or judgments resulting in Losses (“**Claims**”) which may be incurred or suffered by the Indemnified Acquirer Party as a result of, in connection with, attributable to or resulting from (i) any breach or misrepresentation of any representation or warranty by the Promoters as contained in this Agreement, to the extent not qualified under the Disclosure Letter; (ii) fraud or gross misconduct by the Promoters in relation to the conduct of the Company’s Business prior to the Closing Date, as charged by the Board in a meeting where at least 1 (one) Promoter Director (and not the alternate director of the Promoter being charged) is present for such a resolution; (iii) breach of the terms of this Agreement; and (iv) legal claims made by third parties relating to the ownership of their Purchase Shares. It is clarified that, subsequent to the Closing Date, the Promoters shall not be liable for any Losses arising due to non-compliance of the covenants by the Company. It is clarified however that in the event the Acquirer has purchased the Call Option Securities pursuant to the Acquirer Call Option Right under Clause 9.6, the Acquirer shall not be entitled to claim indemnity under this Clause for any Claims arising out of an Acquirer Call Option Event.

15.1.2. The Other Shareholders jointly and/or severally (an “**Indemnifying Acquirer Party**”) hereby indemnify, defend and hold harmless, on demand, the Acquirer (whether through the Company or independently) and its directors, officers, employees (each, an “**Indemnified Acquirer Party**”) to the fullest extent permitted by Law from and against any and in respect of any and all claims, actions, demands, and/or judgments resulting in Losses (“**Claims**”) which may be incurred or suffered by the Indemnified Acquirer Party as a result of (i) any breach or misrepresentation of any representation or warranty by Other Shareholders as contained in this Agreement, to the extent not qualified under the Disclosure Letter; (ii) breach of the terms of this Agreement; and (iii) legal claims made by third parties relating to the ownership of their Purchase Shares.

15.1.3. R&W Claim Period: The Indemnifying Acquirer Party shall be liable under this Agreement:

- a. in the case of any Claim pertaining to breach of representations and warranties on tax matters covered in Schedule 4 Part A, for a period of 7 (seven) years from the Closing Date;
- b. in the case of any Claim relating to breach of representations and warranties on the title of the Purchase Shares covered in Schedule 4 Part A and Part B, without any limitation of time; and
- c. in the case of any other Claims (not covered under Clause 15.1.3 (a) and (b) for a period of 4 (Four) years from the Closing Date.

The Indemnified Acquirer Party agrees and undertakes to use its best endeavor to bring any Claim pertaining to any misrepresentation and breach of warranty as soon as such Claim arises. Notwithstanding anything contained herein, all Claims for breach of representations and warranties to which such R&W Claim Period relates to, and in relation to which claim notice has not been issued to the Indemnifying Acquirer Party, shall automatically expire upon the expiry of the relevant R&W Claim Period.

Notwithstanding anything to the contrary contained in this Agreement or the Transaction Documents, under no circumstances can the liability of the Selling Shareholders be higher than the Purchase Consideration.

15.1.4. Process

- (i) The Indemnified Acquirer Party shall be entitled to present a Claim (describing in reasonable detail the nature of the Claim and the calculation of the amount claimed to the extent reasonably practicable) in writing to the Indemnifying Acquirer Party in respect of any Losses arising out of or due to the matters specified in Clauses 15.1.1 and/or 15.1.2. The notice of such Claim shall give the Indemnifying Acquirer Party a period of 60 (Sixty) days (“**Cure Period**”) to cure the breach or default referred to in the Claim, and no amount shall be payable to the Indemnified Acquirer Party under this Clause 15.1 if the Indemnifying Acquirer Party remedies such breach or default within the Cure Period to the satisfaction of the Indemnified Acquirer Party. In the event that the breach is incapable of cure, or, to the extent so capable, has not been cured within the aforesaid Cure Period, the Indemnifying Acquirer Party shall, unless it has disputed the relevant Claim by initiating arbitration, make payment in respect of such Claim to the Indemnified Acquirer Party as soon as practicable in accordance with this Clause 15.1.
- (ii) It is hereby agreed between the Parties that the Indemnified Acquirer Party shall be entitled to make a Claim against a Indemnifying Acquirer Party only if the amount of the relevant Claim (or the amount of connected Claims arising from the same matter, when aggregated) exceeds Rs. 1,000,000 (Rupees One Million only) per annum.
- (iii) The amounts referred to in the Claim as per Clause 15.1.4 (i) shall be paid by the Indemnifying Acquirer Party within 60 (Sixty) days of the (a) in the event of a Cure Period, the expiry of the Cure Period; and (b) in the event of no Cure Period, the Indemnified Acquirer Party serving a notice to the Indemnifying Acquirer Party pursuant to Clause 15.1.4(i), to the Indemnified Acquirer Party specified in such notice;.
- (iv) The payment of amount under any Claim pursuant to Clause 15.1 shall be received by the Company on behalf of the Indemnified Acquirer Party pursuant to invocation of the Bank Guarantee issued in favour of

the Company on behalf of the Indemnifying Acquirer Party. In the event the Indemnifying Acquirer Party has made the relevant payments to the relevant Indemnified Acquirer Party within the time period as provided in Clause 15.1.4 (iii), the Bank Guarantee shall not be invoked. Provided however that in the event the Indemnifying Acquirer Party disputes or contests the Claim within the period of time provided in Clause 15.1.4, whether payable to the Indemnified Acquirer Party or if the Claim amount needs to be paid by the Company to a third party pursuant to applicable Law, and to this effect initiates legal proceedings in accordance with this Agreement or otherwise, the Company shall not invoke the Bank Guarantee until an order has been passed by the first relevant authority before whom the legal proceedings have been initiated in favour of the Indemnified Acquirer Party or the third party to whom the Company was required to pay, had it not been contested.

- (v) If, after invocation of the Bank Guarantee, the amount paid under the Bank Guarantee is not sufficient to fulfill the Claim raised by the Indemnified Acquirer Party, the Indemnified Acquirer Party shall have the right to proceed against the Indemnifying Acquirer Party for the balance amounts remaining unpaid.
- (vi) The indemnification rights of the Indemnified Acquirer Party under this Agreement are independent of, and in addition to, such other rights and remedies as the Indemnified Acquirer Party may have under Law or in equity or otherwise, including the right to seek specific performance, rescission, restitution or other injunctive relief, none of which rights or remedies shall be affected or diminished thereby.

15.2. *Indemnity by the Acquirer.*

15.2.1. The Acquirer (an "**Indemnifying Purchaser Party**") hereby agrees to, indemnify, defend and hold harmless, on demand, the Selling Shareholders (each, an "**Indemnified Purchaser Party**") to the fullest extent permitted by Law from and against any and in respect of any and all claims, actions, demands, and/or judgments resulting in Losses ("**Claims**") which may be incurred by the Indemnified Purchaser Party, arising out of (i) any breach or misrepresentation of any representation or warranty by the Acquirer as contained in this Agreement; (ii) any breach by the Acquirer of its obligations under this Agreement.

15.2.2. R&W Claim Period: The Indemnifying Purchaser Party shall be liable under this Agreement for a period of 4 (Four) years from the Closing Date.

The Indemnified Purchaser Party agrees and undertakes to use their best endeavor to bring any Claim pertaining to any misrepresentation and breach of warranty as soon as such Claim arises. Notwithstanding anything contained herein, all Claims for breach of representations and warranties, and in relation to which claim notice has not been issued to the Indemnifying Purchaser Party, shall automatically expire upon the expiry of the R&W Claim Period.

Notwithstanding anything to the contrary contained in this Agreement or the Transaction Documents, under no circumstances can the liability of the Indemnifying Purchaser Party be higher than 30% of the Purchase Consideration paid by the Indemnifying Purchaser Party for the purchase of the Purchase Shares.

15.2.3. Process

- (i) The Indemnified Purchaser Party shall be entitled to present a Claim (describing in reasonable detail the nature of the Claim and the calculation of the amount claimed to the extent reasonably practicable) in writing to the Indemnifying Purchaser Party in respect of any Losses arising out of or due to the matters specified in Clause 15.2.1. The notice of such Claim shall give the Indemnifying Purchaser Party a period of 60 (Sixty) days (“**Cure Period**”) to cure the breach or default referred to in the Claim, and no amount shall be payable to the Indemnified Purchaser Party under this Clause 15.2 if the Indemnifying Purchaser Party remedies to remedy such breach or default within the Cure Period to the satisfaction of the Indemnified Purchaser Party. In the event that the breach is incapable of cure, or, to the extent so capable, has not been cured within the aforesaid Cure Period, the Indemnifying Purchaser Party shall, unless it has disputed the relevant Claim by initiating arbitration, make payment in respect of such Claim to the Indemnified Purchaser Party as soon as practicable in accordance with this Clause 15.2.
- (ii) It is hereby agreed between the Parties that the Indemnified Purchaser Party shall be entitled to make a Claim against a Indemnifying Purchaser Party only if the amount of the relevant Claim (or the amount of connected Claims arising from the same matter, when aggregated) exceeds Rs. 1,000,000 (Rupees One Million only) per annum.
- (iii) The amounts referred to in the Claim as per Clause 15.2.3(i) shall be paid by the Indemnifying Purchaser Party to the Indemnified Purchaser Party within 60 (Sixty) days of the (a) in the event of a Cure Period, the expiry of the Cure Period, and (b) in the event of no Cure Period, the Indemnified Purchaser Party serving a notice to the Indemnifying Purchaser Party pursuant to Clause 15.2.3 (i), to the Indemnified Purchaser Party specified in such notice.

- (iv) Upon default by the Indemnifying Purchaser Party making the relevant payments to the relevant Indemnified Purchaser Party within the time period as provided in Clause 15.2.3 (iii) the Indemnified Purchaser Party shall have the right to proceed against the Indemnifying Purchaser Party for the payments.

15.2.4. The indemnification rights of the Indemnified Purchaser Party under this Agreement are independent of, and in addition to, such other rights and remedies as the Indemnified Purchaser Party may have under Law or in equity or otherwise, including the right to seek specific performance, rescission, restitution or other injunctive relief, none of which rights or remedies shall be affected or diminished thereby.

15.3. All the payments made by an Indemnified Party shall be subject to the following:

- (a) to the extent that an Indemnifying Party has already made any payment in respect of a Claim, and the loss in respect of which such Claim has been paid is recovered by the Company in part or in full pursuant to or under a policy of insurance in force as of date within three (3) years from date of receipt of the notice for the Claim under Clause 15.1.4 (i) or 15.2.3 (i), then in such event, the Indemnified Party shall reimburse to the Indemnifying Party, the payment made by the Indemnifying Party less any costs and expenses incurred by the Indemnified Party in obtaining such recovery, to the extent that such loss has been recovered by the Party that has suffered such loss pursuant to such policy of insurance. The Company agrees and undertakes that, if any Claim arises which are covered under any policy of insurance, the Company shall if commercially feasible as determined by the Board raise the claim under the insurance policy without any delay or do anything which might prejudice such recovery of claim from the insurer.
- (b) If an Indemnifying Party pays an Indemnified Party any amount in discharge of any Claim and such Indemnified Party subsequently recovers from a third party, the sum which is referable to the subject matter of the Claim and which would not otherwise have been received by such Indemnified Party within three (3) years from date of receipt of the notice for the Claim under Clause 15.1.4 (i) or 15.2.3 (i) , then such Indemnified Party shall pay to the Indemnifying Party who has made such payment to it originally, an amount equal to the sum received from the third party less any costs and expenses incurred by the Indemnified Party in obtaining such recovery but subject to a maximum of the amount paid by the Indemnifying Party to such Indemnified Party in discharge of the said Claim.

15.4. *Notification.* Without prejudice to the aforesaid, the Indemnified Party under Clause 15 shall, as soon as practicable after the receipt of notice of the commencement of any claim against such Indemnified Party, in respect of which indemnity may be sought from the Indemnifying Party under this Clause 15, notify the Indemnifying Parties in writing of the commencement thereof. The Indemnifying Party shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnifying Party in its reasonable judgment; provided, however, that the Indemnified Party may, at its own expense, retain separate counsel to participate in such defense at its own expense. Notwithstanding the foregoing, in any claim in which both the Indemnifying Party and the Indemnified Party are, or are reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel and to control its own defense of such claim if, in the reasonable opinion of counsel to such Indemnified Party, either (a) one or more defenses are available to the Indemnified Party that are not available to the Indemnifying Party or (b) a conflict or potential conflict exists between the Indemnifying Party and such Indemnified Party that would make such separate representation advisable. The Indemnified Party /Indemnifying Party agrees that it will not, without the prior written consent of the other of Indemnifying Party / Indemnified Party, settle, compromise or consent to the entry of any judgment in any pending or threatened claim relating to the matters contemplated hereby (if the other of the Indemnifying Party / Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the other of Indemnifying Party / Indemnified Party from all liability arising or that may arise out of such claim. The rights accorded to an Indemnified Party hereunder shall be in addition to any rights that any Indemnified Party may have at common law in equity or otherwise.

15.5. *Indemnity by the Company to the Promoters*

The Company shall indemnify and hold harmless the Promoters against any Claims asserted against or incurred by them arising on account of the invocation of the Promoter Guarantees for events taking place after the Closing Date that are not attributable to the Promoters. This indemnity shall be effective from the date of the Closing Date until such guarantees are revoked and/or cancelled pursuant to Clause 10.14.

16. GOVERNING LAW AND ARBITRATION

16.1. This Agreement and its performance shall be governed by and construed in all respects in accordance with the Laws of the Republic of India and the courts of Hyderabad shall have exclusive jurisdiction. In the event of a dispute or difference (“**Dispute**”) relating to any of the matters set out in this Agreement, the Parties shall, through their executives, discuss in good faith to resolve the Dispute. In case the Dispute is not settled within 30 (Thirty) Business days from the first meeting of the said executives or such longer period as may be agreed, it shall be referred to arbitration in accordance with the Clause 16.2 below.

- 16.2. All Disputes that have not been satisfactorily resolved under Clause 16.1 above shall be referred to arbitration before a panel of 3 (Three) arbitrators (“**Panel**”) to be appointed within 10 (Ten) days following the 30 (Thirty) Business days period specified in Clause 16.1 above. Both parties to the dispute (that is the party instituting the arbitration proceeding and the respondent party) shall appoint 1 (One) arbitrator each to the Panel and the 2 (Two) arbitrators so appointed by the parties shall together appoint a presiding arbitrator to the Panel.
- 16.3. The arbitration proceedings shall be carried out in accordance with the Singapore International Arbitration Center Rules and the seat and venue of arbitration shall be Singapore. The Parties expressly agree to exclude the applicability of Part I of the Arbitration Act, except for Sections 9 and 37 (for appeals under Section 9 only) of the said Arbitration Act. The arbitration proceedings shall be conducted in the English language. Subject to Clause 16.5 below, the parties shall equally share the costs of the arbitrator’s fees, but shall bear the costs of their own legal counsel engaged for the purposes of the arbitration.
- 16.4. The Panel shall make an award in writing within 60 (Sixty) days of the reference of the dispute to arbitration. The award of the Panel shall be final and conclusive and binding upon the parties and non-appealable to the extent permitted by Law.
- 16.5. The Parties further agree that the arbitrators shall also have the power to decide on the costs and reasonable expenses (including reasonable fees of its counsel) incurred in the arbitration and award interest up to the date of the payment of the award.
- 16.6. The provisions of this Clause 16 shall survive the termination of this Agreement.

17. ASSIGNABILITY

- 17.1. Except as provided in this Agreement, none of the Parties, except the Acquirer (save to the extent restricted under this Agreement), shall be entitled to assign their rights and obligations under the Agreement to a third party without the prior written consent of the other Parties. It is hereby clarified that, the Acquirer shall be permitted to assign their rights and obligations to a third party only pursuant to/along with a Transfer of Securities in accordance with this Agreement.

18. CONFIDENTIALITY

- 18.1. Each of the Parties shall maintain the utmost confidentiality, regarding the contents of this Agreement along with any Schedule or Annexures which is a part of or provided under this Agreement and the other Transaction Documents at all times. Provided however nothing contained herein shall

affect the ability of the Parties to make disclosure to any Governmental Authority or any other Person under the provisions of any Law, and/or the ability of the Parties to make disclosures to their respective lenders, investors, advisors, vendors or customers, provided however in all such circumstances, the non-disclosing Party who shall be required to disclose such information shall (unless prohibited under any applicable Laws from doing so) have to give prior notice to the other Party before making the disclosure, indicating the nature of information that is proposed to be disclosed and in sufficient time to allow the other Party to seek confidentiality of the information being disclosed. Further neither Party shall make any announcements to the public or to any third party regarding the arrangements contemplated by this Agreement without the prior written consent of the other Party, provided that the obligations of confidentiality stipulated in this Clause shall not apply to (i) any information that was known to any of the Parties prior to its disclosure by the disclosing Party or (ii) has become generally available to the public (other than by virtue of its disclosure by the other Party) or (iii) if the same are to be disclosed pursuant to requirements of applicable Law or pursuant to the legal process; provided that prior to such disclosure the disclosing Party shall so far as is possible and consistent with the requirements of applicable Law give adequate notice to the other Parties, take all such measures as are required to protect the interests of non-disclosing Parties and only disclose so much of the information as is required by applicable Law.

19. NOTICES

19.1. Unless otherwise provided in this Agreement, each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant Party at its address or fax number set out below (or such other address or fax number as the addressee has by 5 (five) Business Days' prior written notice specified to the other Parties). Any notice, demand or other communication given or made by letter between countries shall be delivered by registered airmail or international courier service. Any notice, demand or other communication so addressed to the relevant Party shall be deemed to have been delivered (a) if delivered in person or by messenger, when proof of delivery is obtained by the delivering party, (b) if sent by registered post on receipt of acknowledgement, and (c) if given or made by fax, upon dispatch and the receipt of a transmission report confirming dispatch.

19.2. The addresses referred to above are:

a) In the case of a notice to the Company:

<i>Address</i>	:	Pan Electro Technic Enterprises Pvt. Ltd. G 9-11, Bhavya's Sree Arcade, Erragardda Hyderabad – 500 018
<i>Attention</i>	:	Mr. Ravi Krishna, Managing Director
<i>Telephone</i>	:	+91 40 23812291 / + 91 40 23813593
<i>Facsimile</i>	:	+91 40 23706741

b) In the case of Acquirer:

Address : 595 Southgate Drive, Guelph,
Ontario, Canada N1G 3W6.
Attention : Chris R. Huether –
Corporate Secretary and Chief
Financial Officer
Telephone : (+1) 519-822-2441
Facsimile : (+1) 519-822-4366

c) In case of the Promoters and the Other Shareholders:

Address : 7-2-1787/1, Czech Colony, Sanath Nagar,
Hyderabad - 500 018
Attention : Mr. Ravi Krishna
Telephone : +91 40 23700935
Facsimile : -

A notice or other communication received on a day other than a Business Day, or after business hours in the place of receipt, shall be deemed to be given on the next following Business Day in such place.

- 19.3. The address or facsimile numbers for serving notices can be changed by any Party by properly serving notices on the other Parties informing them of the changes of address.
- 19.4. In the event that a Party refuses delivery or acceptance of a notice, request or other communication, under this Agreement, it shall be deemed that the notice was given upon proof of the refused delivery, provided the same was sent in the manner specified in this Agreement.

20. TERM AND TERMINATION

20.1. Term

This Agreement shall come into effect on the Effective Date and shall remain valid and binding on the Parties until such time that it is terminated in accordance with Clause 20.2 below.

20.2. Termination

The Parties agree that this Agreement shall stand terminated automatically upon:

- a. non-occurrence of Closing (except the completion of the actions under Clause 3.2.5) as contemplated in this Agreement due to reasons not attributable to the Parties, within the Long Stop Date, unless otherwise agreed upon by the Parties. In the event of such termination, no Party shall have any claim against any other Party (except in respect of any

rights and liabilities which have accrued in relation to any breach of the surviving provisions as specified in Clause 20.3); or

- b. vis-à-vis any Party upon such Party ceasing to be a Shareholder; or
- c. mutual consent of all Parties in writing.

20.3. The provisions of Clauses 1 (Definition and Interpretation), 5 (Representations and Warranties), 10.4 and 10.5 (Non-competition and non-solicitation), 15 (*Indemnities*), 16 (Governing Law and Arbitration), 18 (Confidentiality) and 19 (Notices), 21 (Severability), 22 (Entire Agreement), 27 (Payment), as are applicable or relevant thereto, shall survive termination of this Agreement.

21. SEVERABILITY

21.1. Any provision in this Agreement, which is or may become prohibited or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in the same or any other jurisdiction. Without prejudice to the foregoing, the Parties will immediately negotiate in good faith to replace such provision with a proviso, which is not prohibited or unenforceable and has, as far as possible, the same legal and commercial effect as that which it replaces.

22. ENTIRE AGREEMENT

22.1. This Agreement along with the Transaction Documents represents the entire agreement between the Parties in relation to the terms of the matters contained in this Agreement and shall supersede and extinguish any previous drafts, agreements or understandings between all or any of the Parties (whether oral or in written), including the Expression of Interest dated July 6, 2011, relating to the subject matter herein, and shall include all Schedules and amendments executed by the Parties mutually in writing.

23. CHANGE IN LAW, ETC.

23.1. In case of any change in applicable Law in India, that has an effect on the terms of this Agreement, the Parties agree that the Agreement would be reviewed and, if deemed necessary by the Parties, renegotiated in good faith.

24. COUNTERPARTS

24.1. This Agreement shall be signed in counterparts as necessary, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

25. AMENDMENTS AND WAIVERS

- 25.1. Any provision of this Agreement may be amended or waived, if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment by each of the Parties, or in the case of a waiver, by the Party against whom the waiver is to be effective. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

26. INDEPENDENT CONTRACTORS

- 26.1. The Parties are independent contracting parties and will have no power or authority to assume or create any obligation or responsibility on behalf of each other. This Agreement will not be construed to create or imply any partnership, agency or joint venture, or employer-employee relationship.

27. PAYMENTS

- 27.1. All amounts payable under this Agreement by the Company and/ or the Selling Shareholders and/or the Acquirer shall be in accordance with applicable Law and subject to deduction of applicable Taxes, which deduction shall be supported by relevant documentation.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the aforementioned Parties has signed and executed this Agreement, and all the original copies hereto, on the date first above written.

FOR PAN- ELECTRO TECHNIC ENTERPRISES PRIVATE LIMITED

(SIGNED) “K. RAVI KRISHNA REDDY”

FOR PROMOTERS

(SIGNED) “K. RAVI KRISHNA REDDY”

(SIGNED) “K. LINGA REDDY”

FOR OTHER SHAREHOLDERS

(SIGNED) “K. RAVI KRISHNA REDDY”

FOR ACQUIRER

(SIGNED) “WILLIAM G. HAMMOND”

(SIGNED) “CHRISTOPHER R. HUETHER”

EXHIBIT A

DETAILS OF THE SELLING SHAREHOLDERS AND THE NUMBER OF PURCHASE SHARES TO BE SOLD BY EACH SUCH SELLING SHAREHOLDER AND THE PROPORTION OF THE TOTAL PURCHASE CONSIDERATION TO BE PAID TO EACH SELLING SHAREHOLDER

Sl. No	Name of the shareholder	No. of shares held	Current % of shareholding	No. of shares which are being transferred	Consideration (INR)
1	K. Linga Reddy	1,543,500	51.45	1,093,500	403,553,571.43
2	K. Suguna	297,000	9.90	297,000	109,607,142.86
3	A. Prem Sudhakar Reddy	90,000	3.00	90,000	33,214,285.71
4	A. Anji Reddy	195,000	6.50	195,000	71,964,285.71
5	A. Padma	96,000	3.20	96,000	35,428,571.43
6	K. Ravi Krishna	778,500	25.95	328,500	121,232,142.86
	Total	3,000,000	100.00	2,100,000	775,000,000.00

EXHIBIT B

CONDITIONS PRECEDENT TO THE CLOSING DATE

- 1 The Acquirer shall not be obliged or liable to purchase, and the Selling Shareholders shall not be obliged or liable to transfer any or all of the Purchase Shares, unless and until all the conditions set forth in this **Exhibit B** (“**Conditions Precedent to the Closing Date**”) have been satisfied, unless such satisfaction of any of the Conditions Precedent to the Closing Date have been waived (subject to such undertakings that the Acquirer may require the Selling Shareholders/ Company to provide in connection with such waiver) or deferred in writing by the concerned Parties (being the Party not responsible for completing the relevant Condition Precedent to the Closing Date). Upon satisfaction of the Conditions Precedent to the Closing Date, the Party responsible for the satisfaction thereof shall promptly give notice (“**Satisfaction Notice**”) to the other Party of such satisfaction, within 2 (Two) Business Days upon such satisfaction. The Conditions Precedent to the Closing Date will be treated or deemed to be satisfied only upon the issuance by the other Party, of a written confirmation notice (in response to the Satisfaction Notice received by it) no later than 3 (Three) Business Days from receipt of the Satisfaction Notice, to the effect that all of such Conditions Precedent to the Closing have been fulfilled to its satisfaction or otherwise waived by it.
- 2 The Conditions Precedent to the Closing Date for the formation of any legal and/or binding obligation or liability on the Parties (other than Clauses 14, 16, 18 and 19), in terms of this Agreement shall be the following:

2.1 Company’s and the Selling Shareholders’ Obligations

- 2.1.1 The Company shall have passed the necessary resolutions for the execution, delivery and performance of the Transaction Documents and shall have provided the Acquirer with certified true copies of the same.
- 2.1.2 The Company and the Selling Shareholders shall have duly executed, through its authorized representative, each of the Transaction Documents to which it is a party.
- 2.1.3 The Board shall have passed a resolution granting in principle approval for transfer of the Purchase Shares to the Acquirer and the Company shall deliver to the Acquirer certified true copies of the said resolution.
- 2.1.4 The Company shall have provided to the Acquirer a certificate from a Chartered Accountant certifying that the Purchase Consideration is a fair price arrived at by Discounted Cash Flow method as required under Foreign Exchange Regulations.
- 2.1.5 The Company shall have provided to the Acquirer the Interim Accounts.

- 2.1.6 The Selling Shareholders shall have delivered to the Acquirer all documents duly executed by the Selling Shareholders required for the filing of Form FC-TRS with the concerned authorized dealers, other than the foreign inward remittance certificates, in connection with the transfer of the Purchase Shares to the Acquirer, as agreed between the Parties.
- 2.1.7 The Company and the Selling Shareholders shall have obtained a no-objection clearance from all the existing lenders not limited to State Bank of India in connection with Transaction and the actions proposed to be undertaken for the Transaction including but not limited to Transfer of Purchase Shares, amendment to the Articles of the Company and/or repayment of the existing loans where required.
- 2.1.8 The Company and the Selling Shareholders shall have procured a statement from the State Bank of India and other lenders certifying that no events of defaults have occurred under the credit arrangement till date; and in the event there has been a non-compliance by the Company, then either the Company shall pay all amounts due under said loan or procure a waiver from State Bank of India waiving their rights to take action for such non-compliance against the Company. The Company shall have provided copies of the same to the Acquirer
- 2.1.9 The Company and the Selling Shareholders' shall have obtained all Consents, waivers, resolutions and permissions as maybe required in connection with the execution, delivery and performance of this Agreement and the consummation of the Closing and shall have provided certified copies thereof to the Acquirer.
- 2.1.10 The form of the Restated Articles shall have been finalized to the satisfaction of the Acquirer, the Company and the Selling Shareholders and initialled by the Company and the Selling Shareholders.
- 2.1.11 The representations and warranties of the Company and the Selling Shareholders, set out in **Schedule 4 "Part A"** and **"Part B"** of this Agreement, shall be true, correct and complete as of the Effective Date and as of the Closing Date.
- 2.1.12 The Company shall have provided to the Acquirer a certificate from the CEO/Managing Director of the Company certifying that from the Effective Date to the Closing Date there has been no Material Adverse Effect.
- 2.1.13 The Promoter(s) shall have executed their respective employment agreements containing inter-alia obligations concerning a non-compete, non-solicitation and a confidentiality agreement with the Company, in a form acceptable to the Acquirer.

- 2.1.14 The Selling Shareholders and the Company shall reconstitute the Board in accordance with the relevant provisions of the Act and shall provide the Acquirer with a certificate from a company secretary certifying and evidencing such reconstitution.
- 2.1.15 The Company shall file Form 23 with the Registrar of Companies for the appointment Mr. K. Ravi Krishna as the Managing Director by making payment of additional fees, if required.
- 2.1.16 The Company shall have provided to the Acquirer a certificate from a Chartered Accountant/Company Secretary certifying that the authorized share capital of the Company is Rs. 30,000,000 divided into 3,000,000 equity shares of Rs. 10/- and the same is updated in the records of Registrar of Companies.
- 2.1.17 The Company shall refund the share application money pending allotment of shares of INR 33,000 as appearing in the audited financials of the Company for the Financial Year 2010 - 2011 and shall provide receipts of the refund made to such applicants.
- 2.1.18 The Company shall provide a certificate to the Acquirer from the Managing Director of the Company and certified by a company secretary in practise with respect to the shareholding of the Company as stated by the Company.
- 2.1.19 The Selling Shareholders and the Company shall provide the Acquirer with share certificate numbers of the Purchase Shares proposed to be transferred to the Acquirer
- 2.1.20 The Company should have made application for obtaining prior approval of the Central Government for entering into Related Party transactions and shall provide copies of such application to the Acquirer.
- 2.1.21 The Company shall regularize any non-compliance with regard to keeping minutes of the Board and Shareholder's meeting and rectify any existing irregularities in the minutes of Shareholder's and Board meetings previously conducted.
- 2.1.22 The Company shall give a certificate that the Company has recovered the amounts of Rs. 10,153,998/- from R. K. Electric Automation Limited.
- 2.1.23 The Company shall regularize and formalize any leasing agreements, along with paying the appropriate Stamp Duty of such agreements/instruments it may have entered into with Promoters regarding leasing of certain premises utilized by the Company. The Company shall provide copies of the same to Acquirer.

- 2.1.24 The Company shall take due steps to obtain a registration and provide a copy of the certificate of registration as under the Andhra Pradesh Shops & Establishment Act, 1966.
- 2.1.25 The Company shall provide a statement with respect to the status of the case filed by Mr. B Prasad Rao against the Company from the legal councils handling the matter along with an estimate of the liability that the Company may incur on the same.
- 2.1.26 The Selling Shareholders and the Company shall have ensured that the unsecured loan availed by the Company from the Directors are fully repaid and deliver to the Acquirer a 'nil'/'zero' balance statement and such other documentation, in form and substance reasonably satisfactory to Acquirer, evidencing the same.
- 2.1.27 The Company and the Selling Shareholders giving a legal opinion on their authority to enter into Transaction Documents and the performance of their obligations thereunder.
- 2.1.28 The Company and the Selling Shareholders should have provided list of 10 (Ten) largest (based on revenue derived by the Company) customers of the Company and the amounts derived from them.
- 2.1.29 The Selling Shareholders obtaining and delivering to the Acquirer the Name Change Undertakings by PETE Transformers Private Limited, in a form satisfactory to the Acquirer.
- 2.1.30 The Selling Shareholders procuring from the Related Parties set out in Schedule 6 a confirmation to comply with the provisions of Clause 10.2 of the Agreement.
- 2.1.31 The Company shall prepare a list of inventory of stock that is not in usable condition and provide the list thereof to the Acquirer.
- 2.1.32 There shall have been no Governmental action, court order or proceeding that:
 - i. prohibits the consummation of the Transactions contemplated by this Agreement pertaining to the investment by the Acquirer in the Company.
 - ii. adversely affects in any respect the Acquirer's rights to exercise full rights of ownership of the Purchase Shares or the Acquirer's rights under this Agreement.

3 The Acquirer's Obligations:

- 3.1.1 The Acquirer shall have passed the necessary resolutions for the execution, delivery and performance of the Transaction Documents and shall have provided the Promoters with a copy of the resolutions certified by the company secretary.

3.1.2 The representations and warranties of the Acquirer, set out in **Schedule 4 “Part C”** of this Agreement, shall be true, correct and complete as of the Effective Date and as of the Closing Date.

- 4 The Parties shall ensure that all the aforesaid Conditions Precedent to the Closing are duly fulfilled on or before the expiry of the Long Stop Date or such extended period, as the Acquirer may agree in writing, failing which, this Agreement may be terminated by the Acquirer. However, for the avoidance of doubt, it is hereby clarified that no Party may seek to avoid its obligations under this Agreement on the grounds of non-fulfilment of a Condition Precedent to the Closing Date, which forms part of its own obligations as per this **Exhibit B**. Further, Clauses 1 (Definition and Interpretation), 5 (Representations and Warranties), 10.4 and 10.5 (Non-competition and non-solicitation), 15 (*Indemnities*), 16 (Governing Law and Arbitration), 18 (Confidentiality) and 19 (Notices), 21 (Severability), 22 (Entire Agreement), 27 (Payment) shall survive such termination.

EXHIBIT C

DEED OF ADHERENCE

[To be executed on stamp paper]

THIS DEED OF ADHERENCE (this "**Deed**") is executed this *[insert date]* day of *[insert month]*, *[insert year]* by and between:

1. *[insert name of the new shareholder/nominee]*, a company incorporated under the laws of *[insert country]* with its registered office at *[insert address]* (hereinafter referred to as the "**Adopting Party**" which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns) of the **FIRST PART**;
2. **PAN-Electro Technic Enterprises Private Limited**, a private limited company incorporated under the Companies Act, 1956, having its registered office at *[•]*, (hereinafter referred to as the "**Company**", which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors, administrators and permitted assigns) of the **SECOND PART**;
3. The individuals and entities set forth in *[•]* of *[•]* hereto, being the shareholders of the Company and represented by their duly constituted attorney *[•]* through a power of attorney dated *[•]*, (hereinafter collectively referred to as the "**Seller**" which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include their legal heirs, executors, administrators, successors and permitted assigns) of the **THIRD PART**;
4. The individuals and entities set forth in *[•]* of *[•]* hereto, being the shareholders of the Company and represented by their duly constituted attorney *[•]* through a power of attorney dated *[•]*, (hereinafter referred to as the "**Continuing Parties**", which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include all its successors, administrators and permitted assigns) of the **FOURTH PART**.

WHEREAS:

- A. The Company, the Selling Shareholders (as defined under the Agreement) and the Acquirer (as defined under the Agreement) entered into Investment Agreement as on *[•]* ("**Agreement**") which forms part of the Deed and attached hereto as Exhibit C;
- B. The Agreement *inter alia* requires that any Transfer of the Securities held by the Seller, in accordance with the terms and conditions of the Agreement shall be subject to the condition that such transferee, shall execute this Deed; and

- C. The Seller is desirous of transferring [●] number of Securities to the Adopting Party and accordingly the parties are desirous of executing this Deed.

NOW THIS DEED WITNESSETH AS FOLLOWS:

1. Definitions and interpretation

- 1.1 Capitalised terms used but not defined in this Deed shall, unless the context otherwise requires, have the respective meanings ascribed thereto in the Agreement.
- 1.2 Words elsewhere defined in this Deed shall have the meaning so ascribed.
- 1.3 The clause headings do not form part of this Deed, are for convenience only, and shall not be taken into account in the construction or interpretation of this Deed.

2 Adherence

- 2.1 Subject to the provisions of the Agreement, the Adopting Party agrees and undertakes to adhere to and bound by all the rights, duties and obligations of any nature, cast upon the Seller under the Agreement as if the Adopting Party had been an original party to such Agreement since the date hereof.

3 Representations and warranties of the Adopting Party

The Adopting Party represents and warrants that:

- 3.1 it has full power and authority to enter into this Deed and perform its obligations hereunder;
- 3.2 the execution of this Deed and the compliance with the terms hereof has been duly authorised by all necessary corporate, regulatory and statutory action and shall not violate the terms of its charter documents or any judgement, decree or order as applicable to it.

4 Governing Laws

- 4.1 All the terms and conditions of the Agreement including governing laws and provisions relating to arbitration and other terms and conditions shall be deemed to have been incorporated in this Deed as if the same had been reiterated and restated herein.

SIGNED AND DELIVERED by the)
within named Adopting Party)
[insert name])
through its authorised signatory)
[Mr./Ms.] [insert name])
in the presence of [Mr./Ms.] [insert name])

SIGNED AND DELIVERED by the)
within named Company)
[]
through its authorised signatory)
[Mr./Ms.] *[insert name]*)
in the presence of [Mr./Ms.] *[insert name]*)

SIGNED AND DELIVERED by the)
within named Continuing Party)
[]
through its authorised signatory)
[Mr./Ms.] *[insert name]*)
in the presence of [Mr./Ms.] *[insert name]*)

SIGNED AND DELIVERED by the)
within named Seller)
[]
through its authorised signatory)
[Mr./Ms.] *[insert name]*)
in the presence of [Mr./Ms.] *[insert name]*)

SCHEDULE 1
EXISTING SHAREHOLDING
Pre Transaction Capitalization Structure (on a Fully Diluted Basis)

Sl. No.	Name of the shareholder	No. of shares held	Current % of shareholding
1	K. Linga Reddy	1,543,500	51.45
2	K. Suguna	297,000	9.90
3	A. Prem Sudhakar Reddy	90,000	3.00
4	A. Anji Reddy	195,000	6.50
5	A. Padma	96,000	3.20
6	K. Ravi Krishna	778,500	25.95
	Total	3,000,000	100.00

SCHEDULE 2

PROPOSED SHAREHOLDING

Proposed Shareholding (on a Fully Diluted Basis upon Closing)

Sl. No.	Name of the shareholder	Post Closing shareholding	% of shareholding post the transaction
1	K. Linga Reddy	450,000	15
2	K. Ravi Krishna	450,000	15
3	Acquirer	2,100,000	70
	Total	3,000,000	100.00

SCHEDULE 3**ACCOUNT DETAILS & PAYMENT INSTRUCTIONS**

NAME	BANK	A/C NUMBER	SWIFT CODE	IFSC CODE	BRANCH NAME
MR. K. LINGA REDDY	STANDARD CHARTERD BANK	44610809787	SCBLINBBX XX	SCBL0036075	SOMAJIGUDA, HYDERABAD
MR. K. RAVI KRISHNA REDDY	STANDARD CHARTERD BANK	44610789999	SCBLINBBX XX	SCBL0036075	SOMAJIGUDA, HYDERABAD
MR. ALLA ANJI REDDY	STANDARD CHARTERD BANK	44610809809	SCBLINBBX XX	SCBL0036075	SOMAJIGUDA, HYDERABAD
MR. ALLA PREMA SUDHAKARA REDDY	STANDARD CHARTERD BANK	44610809833	SCBLINBBX XX	SCBL0036075	SOMAJIGUDA, HYDERABAD
MS. KOLLI SUGUNA	STANDARD CHARTERD BANK	44610809795	SCBLINBBX XX	SCBL0036075	SOMAJIGUDA, HYDERABAD
ALLA PADMA	STANDARD CHARTERD BANK	44610809841	SCBLINBBX XX	SCBL0036075	SOMAJIGUDA, HYDERABAD .

SCHEDULE 4

“Part A”

REPRESENTATIONS AND WARRANTIES OF THE PROMOTERS

The Promoters hereby jointly and severally represent and warrant, on their own behalf and on behalf of the Company, to the Acquirer (subject to the disclosures made under the Disclosure Letter that the following representations, warranties and statements contained in **Part A** of Schedule 4 are all true, correct and complete as of the Effective Date and the Closing Date.

1 Authority and Capacity

- 1.1 The Company has been duly incorporated and organized, and is validly existing in good standing, under the Law of the country of incorporation.
- 1.2 The Company has the corporate power and authority to own and operate its assets and properties and to carry on the Company’s Business in the manner it is currently conducted.
- 1.3 The Company has all permits, approvals, authorizations, licenses, registrations, and Consents including registrations necessary for the conduct of the Company’s Business as currently conducted.
- 1.4 Each Promoter is an Indian resident for the purposes of the Foreign Exchange Regulations and Indian tax laws. The Promoters have the full power and authority to execute and deliver this Agreement and to perform their obligations hereunder and to consummate the transactions contemplated hereby including, without limitation, to own, hold, sell and transfer (pursuant to this Agreement) the relevant Purchase Shares. Further, this Agreement and each of the other Transaction Documents to which they are a party have been duly executed and delivered by them and constitutes legal, valid and binding obligations of the Promoters, enforceable against them in accordance with its terms. Except as stated in the Agreement, no approval, Consent, exemption, authorization or other action by, or filing with, any Governmental Authority, and no waiting period under any requirement of Law, is necessary or required by the Promoters in connection with the execution, delivery or performance by, or enforcement against, the Promoters of the Transaction Documents or the Transactions contemplated thereunder.
- 1.5 The Company has the full power and authority to execute and deliver this Agreement and to perform the obligations hereunder and to consummate the transaction contemplated hereby including to approve the transfer of the relevant Purchase Shares. Further, this Agreement and each of the other Transaction Documents to which it is a party have been duly executed and delivered by the Company and constitutes legal, valid and binding obligations of the Company, enforceable against it in accordance with its terms. Except as

stated in the Agreement, no Consent or other action by, or filing with, any Governmental Authority, and no waiting period under any requirement of Law, is necessary or required by the Company in connection with the execution, delivery or performance by, or enforcement against, the Company of the Transaction Documents or the Transactions contemplated thereunder.

- 1.6 The execution and delivery of this Agreement by the Company and the Promoters and their promises, obligations, agreements or undertakings in relation to the Transaction do not and will not violate any applicable Law or violate or contravene the provisions of or constitute a default under any documents, contracts, agreements which they are a party to or which are applicable to them or cause any acceleration of the maturity of any note, instrument or other obligation with respect to any liability or indebtedness of the Company or with respect to any document in which the Company is an obligor or guarantor or give to any other Person any interest or right (including any right of termination or cancellation) in or with respect to any of the assets or contracts of the Company.
- 1.7 Save and except as contemplated under the Transaction Documents, the Promoters represent that all Consents, as may be required to be obtained by the Company in connection with the execution, by the Company of this Agreement and/or the Transaction have been obtained, and the Consent required for the delivery and performance of the Transaction Documents shall have been obtained or shall be obtained prior to the Closing Date and such Consents are or shall be in full force and effect as of the Closing Date.
- 1.8 The Promoters hereby confirm that there has been no Material Adverse Effect and that they have no notice of any action, investigation, claim, or other proceedings of any nature whatsoever, by any Government or any other Person which would restrain, prohibit, delay or otherwise challenge the Transaction or would be likely to have a Material Adverse Effect.
- 1.9 The written materials provided by the Company and the Promoters to the Acquirer do not contain any untrue statement of fact or omit to state a fact necessary to make the statements contained therein, in light of circumstances under which they are made, not misleading.

2 Corporate Matters

- 2.1 The copies of the Memorandum and Articles of the Company delivered to the Acquirer are true and complete copies. The Company has complied with all the provisions of its Memorandum and Articles, and in particular, has not entered into any ultra vires transaction, or any transaction which has, had, or to the knowledge of the Promoters is likely to have a Material Adverse Effect. All legal and procedural requirements concerning the Act have been materially complied with and concerning the charter documents have been duly complied with in all respects.

- 2.2 The Board of Directors of the Company has been constituted from time to time in accordance with the provisions of the Act. The Directors on the Board have been duly appointed from time to time.
- 2.3 The Promoters who are Directors of the Board have complied with all requirements of the Act in connection with their positions as Directors on the Board.
- 2.4 The Company has no subsidiaries (as defined under the Act) and there are no Persons in which the Company owns, directly or indirectly, any equity or other ownership interest.

3 **Transfer of Shares**

- 3.1 The Purchase Shares to be transferred by the Promoters under this Agreement to the Acquirer have been or will be duly authorized by all necessary corporate action and all necessary Consents required to be obtained by the Company/Promoters for such transfers have been or will be obtained and to the extent necessary, are or will be in full force and effect, and when paid for and transferred in accordance with the terms hereof.
- 3.2 The Promoters are the only legal and beneficial owners of their respective Purchase Shares held by them as set out in **Schedule 1** and are registered as the only owners of such Purchase Shares in the register of members of the Company. Each Promoter has good, valid and marketable title to those of the Purchase Shares as held by such Promoter. All stamp duty payable on the issuance of each such Purchase Share has been duly paid in accordance with the Laws of the state of Andhra Pradesh.
- 3.3 The Purchase Shares are free from all Encumbrances, dispute or demand, and the Promoters have not received any notice of, and are not aware of any threats or claims against the Purchase Shares.
- 3.4 Subject to the Consents to be procured in relation to the performance of the obligations of the Company and the Promoters under this Agreement, the Purchase Shares shall be validly transferred to the Acquirer and the Acquirer shall be entitled (save and except on account of its own acts, deeds and things) to all rights accorded to a holder of such Purchase Shares in the Company.

4 **Capitalisation**

- 4.1 **Schedule 1** lists the true and complete capitalization table, setting out the Equity Shares and other securities issued and allotted by the Company to each of the Persons set out therein. Other than as provided in **Schedule 1**, there are no stock options granted and outstanding, warrants issued and outstanding, outstanding rights or agreements or schemes for the subscription or purchase from the Company of any shares in the capital of the Company or any securities convertible into or ultimately exchangeable or exercisable for any

shares of the Company (including conversion of any loan taken or debenture subscribed to by the Company, or pre-emption rights under any other agreement) and no shares or securities currently held by any Person are, or would be subject to any pre-emptive rights, rights of first refusal or other rights pursuant to any existing agreement or commitment of the Company other than as provided for under the Transaction Documents.

- 4.2 All of the Company's Securities that are issued and outstanding as of the date hereof have been duly authorized and validly issued, all formalities related to the issuance of such Securities have been met. The issued Securities of the Company are fully paid and held of record by the Persons set forth on **Schedule 1**. All formalities related to transfers of the Company's Securities prior to the date hereof have been observed and such transfers have been made in compliance with the terms of the Articles and Memorandum of the Company.
- 4.3 Since March 31, 2011, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its share capital.

5 Constitutional and corporate documents

- 5.1 The Company has maintained all the statutory registers and books prescribed under the Act, and the minute books of the Company have been properly and accurately maintained and written up to date in all respects and contain full and accurate records of all resolutions passed by the directors and the shareholders of the Company.
All such documents are in the possession or under the control of or accessible to the Company.
- 5.2 The Directors of the Company are duly elected and validly appointed as per the provisions of the Act, and the charter documents, and none of the directors are disqualified to continue as directors under any provisions of the Act and/or any other statutory legislation, as may be applicable.
- 5.3 The Company is complying with all requirements of the Act, its Memorandum and Articles for validly conducting the meetings of the Board and its members, and has duly reflected the proceedings of the meetings in the respective minutes.

6 Business and Operations

- 6.1 Each legal, regulatory or like Consent required for operating the Company's Business and to own and operate the properties (belonging to the Company either through ownership or leasehold, together with all the other facilities used or occupied by the Company in connection with the Company's Business) have been obtained, are valid and subsisting and all conditions imposed to any such approval has been materially regularly observed.

- 6.2 The Company's Business has been carried on in the ordinary and usual course consistent with the past practices and not otherwise and no event has occurred which would affect the Company's Business from being carried on in consistence with its past practices, including with respect to utilization of the resources of the Company's Affiliates where presently being utilized, and with its present customers, suppliers, etc.
- 6.3 Since March 31, 2011 no material contract/purchase order has been terminated or has expired which could reasonably be expected to have a Material Adverse Effect.
- 6.4 The Company has not received any notice or threat of termination of a material contract/purchase order which could reasonably be expected to have a Material Adverse Effect.
- 6.5 Since March 31, 2011, no authorization, from which the Company benefits, if any, has been terminated or has expired.
- 6.6 All the contracts and/or purchase orders entered by the Company have been entered into in accordance with market practice and there has been no default by the Company or to the knowledge of the Promoters any event or circumstances (a) which could result in the termination of these contracts and/or purchase orders; or (b) which could entitle the other party to terminate such contract and/or purchase orders.
- 6.7 The Company is in compliance with all the material contractual provisions and its obligations in respect of its contracts/agreements and has not defaulted in the performance, observance or fulfillment of any of its material obligations, covenants or conditions under any such contracts/agreements to which it is a party, including, joint venture, memorandum of understanding, partnership, association of persons, third party agreements, subcontracting arrangements or otherwise by whatever name called and no claim has been made against it in this regard.
- 6.8 Since March 31, 2011 there has been no material change in the customers and suppliers of the Company.
- 6.9 The Company has not defaulted in paying any creditor and has paid its creditors in accordance with the general business practice.
- 6.10 The documents/agreements executed in relation to the Company's immoveable properties, banking and security arrangements, material suppliers' contracts and employment agreements have been stamped with adequate stamp duty and have been registered in accordance with applicable Law.

7 Financials, Accounts and Records

- 7.1 The books of accounts of the Company have been accurately and properly maintained and the accounts of the Company is being prepared, in accordance with applicable Laws and in accordance with accounting standards as prescribed by the Institute of Chartered Accountants of India, so as to give a true and fair view of the Company's Business (including the assets, liabilities and state of affairs) of the Company.
- 7.2 The audited financial statements as on March 31, 2010 and March 31, 2011 and Interim Accounts (the "**Financial Statements**") are as provided under **Schedule 9** and are true and correct.

8 Borrowings

- 8.1 Except as set out in the Financial statements, there are no other borrowings (including any outstanding obligations for the repayment of money), whether present or future, actual or contingent, or charges or other security interests (excluding statutory liens) of the Company, and since March 31, 2011, there has been no change in the amounts, interest rates, sinking funds, installment payments or maturities of the borrowings of the Company.
- 8.2 All the borrowings made by the Company, if any, have been duly authorized by all necessary Consents and the requisite filings/registrations in this regard have been duly complied with.
- 8.3 Except as set out in the Disclosure Letter, there are no liens against any of the properties, whether tangible, intangible or real, of the Company.
- 8.4 The Company is in material compliance with all the provisions of the documents/agreements executed in so far as the credit facilities availed by the Company are concerned.
- 8.5 The Company is not in default and no waiver of default is currently in effect, in the payment of any principal or interest on any borrowings of the Company and no event or condition exists with respect to any borrowings of the Company that would permit (or that with notice or the lapse of time, or both, would permit) one or more lenders to cause such borrowings to become due

and payable before its stated maturity or before its regularly scheduled dates of payment.

- 8.6 There are no claims/proceedings/actions or a series of claims/proceedings /actions brought/taken against or any penalty imposed/levied, additional interest or other amounts charged on/to the Company by the existing lenders of the Company on account of any action/ inaction by or on behalf of the Company or non-compliance of any provisions/covenants under the documents/agreements executed in relation to the credit facilities availed by the Company.
- 8.7 All Consents that may be necessary for the Company under any loan, guarantee or debt with any financial institution or other creditor to which it is a party or which is binding upon it or any of the assets or revenues of the Company for the valid execution of this Agreement by the Company and the Promoters have been obtained before the date hereof and the Consent required for the delivery and performance of the Transaction Documents shall have been obtained as of the Closing Date and the consummation of the transactions contemplated by this Agreement will not result in any breach or default under any such loan, guarantee or debt.
- 8.8 There are no claims/proceedings/actions or a series of claims/proceedings /actions brought/taken against or any penalty imposed/levied, additional interest or other amounts charged on/to the Company by the existing lenders of the Company on account of any guarantees issued by the Company.
- 8.9 The list of outstanding debtors/lenders of the Company along with the status of its borrowings is as provided under the Disclosure Schedule.

9 Taxation Matters

- 9.1 In respect of the Company (i) all declarations and Tax returns necessary under the provisions of Tax Laws have been duly filed and such Tax returns are correct and compete in all aspects and contain all matters required to be disclosed therein under Tax Laws; (ii) all Taxes shown as owing on such Tax return have been paid; and (iii) the Company has not received any written notice that such Tax returns are disputed by the Tax authorities concerned and that proceedings for recovery of Tax have been initiated or are presently pending against either of them.
- 9.2 There has been no claim or issue (other than a claim or issue that has been finally settled) concerning any liability for Taxes of the Company asserted or raised by any Tax authority which has been received by the Company and no circumstances exist to form the basis for such a claim or issue. No audits or investigations in relation to Tax are pending against the Company.

- 9.3 There are no claims/proceedings/actions or a series of claims/proceeding/actions brought/taken against or any penalty imposed/levied, additional interest or other amounts charged on/to the Company on account of the accounting methodology used by the Company in the past not being acceptable to the Tax authorities or any other Governmental Authorities including in relation to excise duties no circumstances exist to form the basis for such claims/proceedings/actions or penalty.
- 9.4 The Company has not (i) waived any statute of limitations, (ii) executed or filed any power of attorney with respect to Taxes, which waiver, agreement or power of attorney is currently in force save and except the power of attorneys issued in favour of the statutory auditors of the Company.
- 9.5 The Company has kept and preserved all records and information as may be needed to enable it to deliver correct and complete returns to all relevant Tax authorities for all accounting periods for which such returns and declarations are required.
- 9.6 The Company has either paid all Taxes in a timely manner which it has become liable to pay or else made full provision or reserve in the accounts for all Tax levied on it or in respect of which it is or may become liable as at the Closing Date, in each case unless contested by the Company in writing.
- 9.7 The Company has deducted, accounted for and paid over to the appropriate Governmental Authorities all deductions and payments of Tax which they are required to make in respect of the liability to Tax of any other Person, including (without limitation) in respect of any payments and benefits made or treated as made to employees, ex-employees, directors, agents or contractors of the Company.
- 9.8 The Company has complied with the provisions of Laws relating to sales, turnover or service tax or customs duty or works contract tax and all other indirect taxes (“**Indirect Tax**”) to the extent to which they required to comply with such Tax Laws.
- 9.9 All goods, services or other inputs for which the Company has claimed any exemption, credit, deduction or similar treatment with respect to any Indirect Tax have been or are to be used for the purposes of their respective businesses and the Company believes that such exemption, credit, deduction or similar treatment has been availed of in accordance with law.

10 Legal / Litigation Matters

- 10.1 The Promoters have no notice of any investigation or enquiry by, nor any notice or communication of any proceeding order, decree, decision or judgment of, any court, tribunal, arbitrator, Governmental agency or regulatory body, by and against the Company or any employee for whose acts or defaults the Company may be vicariously liable, with respect to an alleged

or actual violation and/or failure to comply with any such applicable Law, regulation, byelaw or constitutional document, or requiring it/them to take or omit any action, which may result in any liability or criminal or administrative sanction against the Company.

- 10.2 No order has been made, petition presented, resolution passed or meeting convened for the winding up (or other process whereby the Business is terminated or a substantial part of the assets of the Company are distributed amongst its creditors and/or shareholders or other contributories) of the Company and there are no cases or proceedings under any applicable insolvency, reorganization, or similar Laws concerning the Company.
- 10.3 The Company has not committed:
- (a) any criminal or unlawful act involving dishonesty;
 - (b) any breach of trust; or
 - (c) any tortuous act which could entitle any third party to terminate any contract to which the Company is a party, and which could have a Material Adverse Effect.

11 Intellectual Property

- 11.1 The Company owns, possesses or has the right to use all trademarks, trade names, logos and other rights to inventions, know-how, patents, copyrights domain names and Trade Secrets (collectively, “**Intellectual Property Rights**”) which is being used for the Company’s Business as carried on at the date hereof and each of the agreements, licenses, or other contracts that confer on the Company the rights to use the Intellectual Property Rights as aforesaid are valid and in full force, and have not been terminated, revoked, or rescinded in whole or in part. There has been no actual or alleged infringement of any Intellectual Property Rights.
- 11.2 None of the operations of the Company infringe, or to the best of the Promoters’ knowledge are likely to infringe, any Intellectual Property Rights held by any third party or involve the unauthorised use of confidential information disclosed to the Company in circumstances which might entitle a third party to make a claim.
- 11.3 There exists no actual or to the knowledge of the Promoters threatened infringement by any third party of any Intellectual Property Rights held or used by any of the Company (including misuse of confidential information) or any event likely to constitute such an infringement nor has the Company acquiesced in the unauthorised use by any third party of any such Intellectual Property Rights.
- 11.4 No Intellectual Property Rights owned or used by the Company, in relation to the Company’s Business and no licences of Intellectual Property Rights of which the Company has benefit will be lost, or rendered liable to any right of

termination or cessation by any third party, by virtue of the performance of the terms of this Agreement.

- 11.5 The Company has received no notice that there is any determination of any Governmental Authority affecting its right to develop, license, use, sell, distribute or modify the Company's Intellectual Property.
- 11.6 All Intellectual Property generated by the employees of the Company in connection with the Company's Business have been duly assigned to the Company.
- 11.7 The Company has taken reasonable precautions to protect the secrecy, confidentiality and value of their Trade Secrets. No Trade Secrets owned by the Company have been disclosed to a third party except under a confidentiality agreement. The Company have received no written notice and otherwise the Promoters have no knowledge that any Trade Secret of the Company is subject to any adverse claim or has been challenged or to the best of its knowledge threatened in any way.
- 11.8 For the purpose of this clause "**Trade Secrets**" of the Company means rights arising from or in respect to trade secrets and other confidential information (including, without limitation, ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, concepts, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, financial and marketing plans and customer and supplier lists and information whether protected, created or arising under the Laws of India or any other jurisdiction, of the Company.

12 No Material Adverse Effect

12.1 Since March 31, 2011:

- (a) there has been no Material Adverse Effect, or to the knowledge of the Promoters any development that is reasonably likely to result in a Material Adverse Effect;
- (b) the Company has not incurred any liability or obligation, direct or contingent in conflict with the obligations undertaken hereunder or the provisions of this Agreement.

13 Real Property

- 13.1 The Disclosure Letter sets forth all leases of real property, occupancy agreements or similar agreements (the "**Real Property Leases**") under which the Company is a lessee, sub-lessee, tenant, or licensee of any real property owned by any third Person (the "**Leased Real Property**").

- 13.2 The Disclosure Letter sets forth all the real property that the Company owns (the “**Ow ned Real Property**”).
- 13.3 With respect to the Leased Real Property and the Ow ned Real Property, (i) the interest acquired by the Company has been acquired, obtained or occupied in compliance with all applicable Laws; (ii) there exists no material default under the Real Property Leases by the Company and the Company has not received written notice of any such default; (iii) to the knowledge of the Promoters there exists no Default by any third party thereunder; (iv) no landlord or owner of the Leased Real Property has refused to accept rent or made any complaint or objection and the receipt for the payment of rent which fell due immediately prior to the date of this Agreement is unqualified; (v) no material alterations have been made to the Leased Real Property at the expense of the Company without first obtaining all necessary Consents; (vi) to the knowledge of the Promoters, there are no outstanding actions, disputes, claims or demands in relation to the Company’s title to the Ow ned Real Property or its right to use the Leased Real Property, for the purpose of the business being carried on therein; and (v) to the knowledge of the Promoters, there are no Encumbrances (whether for securing money or otherwise) affecting the property.
- 13.4 The provisions related to the Leased Real Properties of the Company are as provided under the lease agreements and are the only agreements governing such Lease Real Properties, including payment terms.
- 13.5 Each Real Property Lease is a legal, valid and binding obligation of the Company, and, to the knowledge of the Promoters, each other party thereto, enforceable against each such other party thereto in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights generally and subject to general principles of equity.
- 13.6 All property taxes and other charges to the extent payable by the Company thereof, with respect to the Real Property Leases and the Ow ned Real Property have been paid and there are no pending or, to the knowledge of the Promoters, threatened, complaints, charges or claims against the Company brought or filed with or made by any Governmental Authority, arbitrator or court in connection with such Real Property Leases or the Ow ned Real Property.
- 13.7 With respect to the Leased Real Property and the Ow ned Real Property, (i) there is no pending condemnation or similar proceeding, of any part of thereof; (ii) no written notice has been received within the last three (3) years asserting that the utilities, access or parking for any parcel of Leased Real Property are inadequate for the current use and operation of such parcel; (iii) to the knowledge of the Promoters there are no zoning, building code, occupancy restriction or other land-use regulation proceedings or any

proposed change in any applicable Law that could, individually or in the aggregate, have a Material Adverse Effect, nor has any notice been received with respect to any special assessment proceedings affecting any Leased Real Property or Owned Real Property, nor has, to the knowledge of the Promoters, any application been made for any change to the zoning or land-use status of any Leased Real Property or Owned Real Property; and (vi) The Company is utilizing all properties in its possession in accordance with and for conducting activities as permitted under applicable Law.

14 Assets

- 14.1 The Company, is the legal and beneficial owner, lessee or authorized user of, and has good and marketable title, lease or user rights to all its assets, including, without limitation, all Assets reflected on the Financial Statements and those acquired since March 31, 2011 (the “**Balance Sheet Date**”) (except in each case for assets sold or otherwise disposed of since the Balance Sheet Date in the Ordinary Course of Business), as the case may be, free and clear of all Encumbrances of any kind.
- 14.2 All trade accounts receivable, notes receivable and other receivables included in the Financial Statements (the “**Receivables**”) represent bona fide sales actually made or services actually delivered in the Ordinary Course of Business and, in the case of accounts receivable, have been billed or invoiced in the Ordinary Course of Business. Except to the extent expressly reserved against or reflected on the Financial Statements, all Receivables are collectible in the Ordinary Course of Business.
- 14.3 The Company has maintained all material tangible assets in good repair, working order and operating condition subject only to ordinary wear and tear, and all such material tangible assets are fully adequate and suitable for the purposes for which they are presently being used.
- 14.4 The machinery used by the Company for its Business is general purpose equipment and can be used interchangeably for all type of clients.
- 14.5 In respect of the assets used in the Business of the Company but not owned by the Company or any facilities or services provided to the Company by any third party, there has not occurred any material event of default or any other event or circumstance (other than the expiry of any agreement in the normal course) which may entitle any third party to terminate any agreement or license in respect of the provision of such facilities or services (or any event or circumstance which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute such an event or circumstance).
- 14.6 The Company has all necessary Consents required under applicable Law in connection with its ownership of its assets, and they are in full force and effect.

- 14.7 The Disclosure Letter sets forth (i) the names and locations of all banks, trusts, companies, savings and loan associations and other financial institutions at which each Company maintains safe deposit boxes, checking accounts or other accounts of any nature with respect to its business; and (ii) the names of all persons authorized to draw thereon, make withdrawals therefrom or have access thereto

15 Contractual Arrangements

- 15.1 The Company has not been a party to any agreement, arrangement or practice which in whole or in part contravenes or is invalidated by any restrictive trade practices, fair trading, consumer protection or similar laws or regulations under the relevant jurisdiction or in respect of which any filing, registration or notification is required pursuant to such laws or regulations (whether or not the same has in fact been made) and which would have a Material Adverse Effect on the Company's Business.
- 15.2 Except for employment agreements that have been disclosed to the Acquirer or that are to be entered pursuant to this Agreement, there are no agreements, understandings or proposed transactions between the Company and any of its Key Management Team or Directors.
- 15.3 Except as disclosed in the Disclosure Letter, no employee, officer, director or, shareholder of the Company or member of his or her immediate family is indebted to the Company, nor is the Company indebted (or committed to make loans or extend or guarantee credit) to any of them other than (i) for payment of salary for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Company's Board of Directors and stock purchase agreements approved by the Company's Board of Directors).
- 15.4 Except as disclosed in the Disclosure Letter (the Financial Statements), none of the Promoters or the Key Management Team have any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company, except in connection with the ownership of stock in publicly-traded companies.
- 15.5 Except as disclosed in the Financial Statements of the Company no employee, officer, director or shareholder, nor any member of their immediate families, is, directly or indirectly, interested in any contract with the Company (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Company).

- 15.6 There are no existing related party contracts or arrangements or understandings, between, the Company, the Promoters and/or the other hand any Affiliates.
- 15.7 Except as disclosed in the Financial Statements of the Company in **Schedule 2**, there are no transactions, agreements, arrangements or other forms of relationships between the Company and (i) the Promoters; (ii) any of the Company's Directors; (iii) any of the members of the Key Management Team (iv) Any Affiliates, which are on terms less favorable to the Company than an arm's length transaction.
- 15.8 The Company has not entered into any (i) partnership or joint venture agreements (ii) contracts containing a covenant limiting or restraining freedom or ability of the Company from engaging or competing in any lines or business with any person, firm, corporation or other entity; (iii) contracts under which the Company agrees to indemnify any Person, other than in the Ordinary Course of Business.

16 Employees

- 16.1 Except as set forth in the Disclosure Letter, no notice has been received from any person from the Key Management Team terminating his or her employment with the Company and to the knowledge of the Promoters, no person from the Key Management Team has indicated an intention or plan to terminate his or her employment with the Company.
- 16.2 The Disclosure Letter contains a true, correct and complete list of all current independent contractors and subcontractors retained by the Company. All such independent contractors and subcontractors (and all other independent contractors and subcontractors who have previously rendered services to the Company) have in the past and continue to be legally, properly and appropriately treated as non-employees for all Tax purposes, as well as all other employee benefit purposes.
- 16.3 The Company is in compliance in all respects with all Laws applicable to the Company as regards its employees, independent contractors, subcontractors, or other persons providing services to or on behalf of the Company, including all applicable Laws relating to wages, hours, employment standards, collective bargaining, discrimination, civil rights, safety and health, and workers' compensation and under employee legislations whether State or Central, including (where applicable) the Employees' Provident and Miscellaneous Provisions Funds Act, 1952, the Payment of Gratuity Act, 1972, the Industrial Disputes Act, 1947, the Contract Labor Act, 1970, Employee State Insurance Act, 1948. The Company has made all statutory contributions as are due and payable and no sum is due and outstanding by the Company towards the same.

- 16.4 The Company has complied with all collective agreements, orders, awards, codes of conduct and practice relevant to conditions of service and to the relations between it and its employees.
- 16.5 The Company is not involved in and to the knowledge of the Promoters there are no present circumstances which are likely to give rise to any labour dispute or any dispute or negotiation regarding a claim of importance.
- 16.6 The Company has not received any notice, claim from the Government Authorities for the non compliance of the labour Laws.
- 16.7 The Company does not have any employee stock option, stock purchase, stock appreciation right or phantom stock option schemes.
- 16.8 All amounts due and payable to the employees of the Company as on the date of this Agreement whether contractually or statutorily required have been made.
- 16.9 To the knowledge of the Promoters, no person being a part of the Key Management Team is a party to, or otherwise subject to, any agreement, contract or understanding, whether written or oral, with any other employer, person or entity, containing any restraints, confidentiality commitments or other employment restrictions, including, but not limited to, any non-compete or non-solicitation covenants.

17 **Environmental License**

- 17.1 The Company has obtained any and all applicable Consents required under or in relation to any applicable statutes, bye-laws, regulations, directives, codes of practice, company environmental plans and codes of conduct, circulars, guidance notes and the like including those concerning the

protection of human health or the environment or the conditions of the workplace for the purpose of running the Company's Business and carrying out its operations ("**Environmental Law**").
- 17.2 Wherever applicable, the Company has been making all filings and is in compliance with all applicable Environmental Laws.

18 **Insurance**

- 18.1 The Company has in place insurance policies in amounts and types that are customary in the industry for similar companies and sufficient to cover the full value of the Company, its properties and assets and the requirements of contractual obligations entered into by the Company to procure such insurance policies. All such policies are valid and in full force and effect. All insurance premiums due on such policies have been paid in full when due, and no notice

of cancellation, termination or nonrenewal has been issued or received by the Company and no disallowance of any claim under any such policy has been received by the Company. To the knowledge of the Promoters, the Company has complied in all respects with the provisions of such policies. No Actions are pending or, to the knowledge of the Promoters threatened, or during the prior three-year period were instituted or threatened, to revoke, cancel, limit or otherwise modify such policies and no notice of cancellation of any such policies has been received.

19 Legal Compliance

- 19.1 In the process of obtaining for any of the Company any Government concessions or licenses required in the operation of the Company's Business, neither the Company nor the Promoters or to the knowledge of Promoters any Person acting on their behalf has/have committed any act that could constitute a violation of any applicable Law.

20 Notification to Acquirer

- 20.1 The Promoters shall be obligated to forthwith disclose in writing to the Acquirer any event or circumstance which may arise or become known to them after the Closing Date which, had it occurred on or before the date of this Agreement would have constituted a breach of their representations and warranties.
- 20.2 All material information relating to the Company, to the extent that such information is known to or in the possession of the Promoters and in relation to the Company's Business, operations, financial conditions, assets and liabilities, intellectual property, organisation, tax, employment related matters, compliance matters, litigation and environmental matters, required to be known by any prudent investor for valuable consideration has been disclosed to the Acquirer.

21 Competition Law

- 21.1 The Company has not entered into any contract or understanding with enterprises or associations of enterprises or persons or associations of persons or between any person and enterprise or practice carried on, or is bound by decision taken by, any association of enterprises or association of persons, including cartels, engaged in identical or similar trade of goods or provision of services, that (i) directly or indirectly determines purchase or sale prices (ii) limits or controls production, supply, markets, technical development, investment or provision of services (iii) shares the market or source of production or provision of services by way of allocation of geographical area of market, or type of goods or services, or number of customers in the market or any other similar way; (iv) directly or indirectly results in bid rigging or collusive bidding, or any such other agreement, arrangement or understanding that has or is likely to have an appreciable adverse effect on competition

against the requirements of the Competition Act, 2002 and the amendments thereto (“**Competition Act**”).

- 21.2 The Company has not entered into any contract or understanding with enterprises or persons at different stages or levels of the production chain in different markets, in respect of production, supply, distribution, storage, sale or price of, or trade in goods or provision of services, including (i) tie-in arrangement; (ii) exclusive supply agreement; (iii) exclusive distribution agreement; (iv) refusal to deal; (v) resale price maintenance that has or to the knowledge of the Promoters is likely to have an appreciable adverse effect on competition against the requirements of the Competition Act.
- 21.3 The Company is not and to the knowledge of the Promoters is not likely to be a dominant undertaking as defined under the Competition Act.
- 21.4 The Company has not received any notice or warning from, nor has it been the subject of, any proceeding, investigation, interrogation or review by any authority constituted under the Competition Act or the erstwhile Monopolies and Restrictive Trade Practices Act, 1999 alleging contravention of the provision of the Competition Act or the Monopolies and Restrictive Trade Practices Act, 1999.
- 21.5 The Promoters have disclosed in the Disclosure Letter of all the business associations that the Company belongs to and describes the nature of the association the frequency of the meetings held and the business transacted therein.

22 Independent representations and warranties

- 22.1 For the avoidance of doubt, the foregoing representations and warranties shall be separate and independent, and save as expressly provided shall not be limited by reference to any other Section, Clause or anything in this Agreement or its Annexures, Exhibits or Schedules.
- 22.2 None of the representations and warranties made hereunder or elsewhere in the Agreement shall be treated as qualified by any actual or constructive knowledge on the part of the Acquirer, or any agents, representatives, officers, employees or advisers of the Acquirer unless the same have been disclosed under the Disclosure Letter.

23 Absence of Corrupt Practices

- 23.1 The Company or any director or to their reasonable knowledge, any other person acting for or on behalf of the foregoing (individually and collectively, a “**Company Affiliate**”), has violated the U.S. Foreign Corrupt Practices Act, the Corruption of Foreign Public Officials Act, the United Kingdom Bribery Act , or any other applicable anti-bribery or anti-corruption laws, nor has any Company Affiliate offered, paid, promised to pay, or authorized the payment

of any money, or offered, given, promised to give, or authorized the giving of anything of value, to any officer, employee or any other person acting in an official capacity for any Government Entity, as defined below, or to any political party or official thereof or to any candidate for political office (individually and collectively, a “**Government Official**”) or to any person under circumstances where such Company Affiliate knew or was aware of a high probability that all or a portion of such money or thing of value would be offered, given or promised, directly or indirectly, to any Government Official, for the purpose of directing business to the Company or obtaining for the Company any Government concessions or licenses required in the operation of the Company’s Business .

“**Government Entity**” as used in paragraph 23.1 means any government or any department, agency or instrumentality thereof, including any entity or enterprise owned or controlled by a government, or a public international organization.

SCHEDULE 4
“Part B”
REPRESENTATIONS AND WARRANTIES OF THE OTHER SHAREHOLDERS

1. Each of the Other Shareholders is an Indian resident for the purposes of the Foreign Exchange Regulations and Indian tax laws. The Other Shareholders have the full power and authority to execute and deliver this Agreement and to perform their obligations hereunder and to consummate the transactions contemplated hereby including, without limitation, to own, hold, sell and transfer (pursuant to this Agreement) the relevant Purchase Shares. Further, this Agreement and each of the other Transaction Documents to which they are a party have been duly executed and delivered by them and constitutes legal, valid and binding obligations of the Other Shareholders, enforceable against them in accordance with its terms. Except as stated in the Agreement, no approval, consent, exemption, authorization or other action by, or filing with, any Governmental Authority, and no waiting period under any requirement of Law, is necessary or required by the Other Shareholders in connection with the execution, delivery or performance by, or enforcement against, the Other Shareholders of the Transaction Documents or the Transactions contemplated thereunder.
2. The execution and delivery of this Agreement by each of the Other Shareholders and his/her promises, obligations, agreements or undertakings in relation to the Transaction do not and will not violate any applicable Law or violate or contravene the provisions of or constitute a default under any documents, contracts, agreements which he/she is a party to or which are applicable to him/her.
3. The Purchase Shares to be transferred by the Other Shareholders under this Agreement to the Acquirer have been or will have been duly authorized by all necessary Consents or registrations required to be obtained by the Other Shareholders for such transfers have been or will be obtained and to the extent necessary, are or will be in full force and effect, and when paid for and transferred in accordance with the terms hereof.
4. The Other Shareholders are the only legal and beneficial owners of their respective Purchase Shares held by them as set out in Schedule 1 and are registered as the only owners of such Purchase Shares in the register of members of the Company. Each of the Other Shareholders has good, valid and marketable title to those of the Purchase Shares as held by such Other Shareholder. All stamp duty payable on the issuance of each such Purchase Share has been duly paid in accordance with the Laws of the state of Andhra Pradesh.
5. The Purchase Shares held by the Other Shareholders are free from all Encumbrances, dispute or demand, and the Other Shareholders have not received any notice of, and are not aware of any threats or claims against the Purchase Shares held by them.

6. Subject to the Consents to be procured in relation to the performance of the obligations of the Other Shareholders under this Agreement, the Purchase Shares shall be validly transferred to the Acquirer and the Acquirer shall be entitled (save and except on account of its own acts, deeds and things) to all rights accorded to a holder of such shares in the Company.
7. Execution, delivery and performance of this Agreement does not and will not conflict with, or result in a breach of, or constitute a default under, any instrument to which Other Shareholder is a party or to which he/she is bound.
8. The Other Shareholders who are Directors of the Board have complied with all requirements of the Act in connection with their positions as Directors on the Board. Except as disclosed in the Disclosure Letter (the Financial Statements), none of the Other Shareholders has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company, except in connection with the ownership of stock in publicly-traded companies.
9. There are no existing Related Party contracts or arrangements or understandings, between, the Company, the Other Shareholders and/or Other Shareholders' Affiliates.
10. Except as disclosed in the Financial Statements of the Company in **Schedule 9**, there are no transactions, agreements, arrangements or other forms of relationships between the Company and (i) the Other Shareholders; (ii) any of the Company's Directors; (iii) any of the members of the Key Management Team (iv) Any Affiliates, which are on terms less favorable to the Company than an arm's length transaction.
11. In the process of obtaining for the Company any Government concessions or licenses required in the operation of the Company's Business, the Other Shareholders or, to their reasonable knowledge, any Person acting on their behalf has/have committed any act that could constitute a violation of any applicable Law.

SCHEDULE 4

“Part C”

REPRESENTATIONS AND WARRANTIES OF THE ACQUIRER

- 1 Acquirer is a company duly organized and validly existing and is duly qualified as per the laws of its incorporation.
- 2 Acquirer has all requisite power, including corporate power and authority to conduct its business, to enter into this Agreement, to perform its obligations thereunder and to consummate the Transaction contemplated hereby. The execution and delivery of this Agreement by Acquirer, and the performance by Acquirer of its obligations hereunder and the consummation by Acquirer of the Transactions contemplated hereby, have been duly authorized by all necessary corporate action and, all Consents required by the Acquirer in connection with the delivery and performance of this Agreement have been or shall be obtained prior to Closing Date and such Consents are or shall be in full force and effect as of the Closing.
- 3 This Agreement constitutes valid, legally binding and enforceable obligations of Acquirer.
- 4 Execution, delivery and performance of this Agreement does not and will not, conflict with, or result in a breach of, or constitute a default under any instrument to which Acquirer is a party or to which it is bound.
- 5 There is no litigation pending or to the knowledge of the Acquirer threatened against the Acquirer, which questions the validity or enforceability of this Agreement or any of the transactions contemplated herein. and
- 6 To the knowledge to the Acquirer, no steps and/or legal proceedings have been commenced for the dissolution or winding up of the Acquirer.

SCHEDULE 5

AFFIRMATIVE VOTE ITEMS

1. Any amendment to Company's Memorandum and Articles of Association;
2. Approval of the Strategic Plan and the Annual Budget and any material revisions thereto;
3. Any issuance of Securities that would result in the Promoter's shareholding in the Company as on the Closing Date getting diluted or increase in the authorized capital of the Company or any buy backs, splits, bonuses, debt restructuring of the Company other than as may be approved pursuant to this Agreement, the Strategic Plan and/or the Annual Budget;
4. Any merger or reorganization of the Company other than as may be approved pursuant to the Strategic Plan and/or the Annual Budget;
5. Making a substantial acquisition or any sale of or disposal of an undertaking or any subsidiaries of the Company (including, pursuant to any scheme of arrangement);
6. The liquidation, dissolution, winding up of the Company;
7. Any material change in the nature or scope of the Company's Business other than as may be approved pursuant to the Strategic Plan and/or the Annual Budget ;
8. Any borrowing by the Company, including secured and unsecured bank debt, issuance of debentures or bonds over and above as agreed in the Annual Budget and Strategic Plan including providing any corporate guarantee to any entity;
9. The extension of any loan to any third party except loans to full time employees other than in the normal course of business;
10. Any capital expenditure exceeding 20% of that agreed in the Strategic Plan/Annual Budget;
11. Appointment/ removal of the CEO CFO and other members of the Key Management Team;
12. Listing of the equity shares of the Company on a recognized stock exchange in India;
13. Creating a subsidiary of the Company or hiving off existing subsidiaries or diversification of projects other than as contemplated in the Strategic Plan/Business Plan;
14. Increasing the size of the Board other than as contemplated under the Agreement;
15. Modifying or fixing the remuneration or terms of the appointment of the Managing Director.
16. Fixing the remuneration of the Acquirer Nominee Directors.
17. Creating any joint venture or permit any capital/corporate restructuring.
18. Transactions with Related Parties.
19. Declaration or payment of dividends or other distributions in the event the same is not distributed/paid to all equity shareholders of the Company in proportion to their shareholding in the Company at such time.

SCHEDULE 6

RELATED PARTY TRANSACTIONS

Name of the affiliate/ associate concern	Business transactions of the Company with the associate company
PETE Transformers Private Limited	• Purchase - MS tanks, DG sets, Plant & machinery • Sale - MS scrap (iron sheets), 100 kv transformer
K L R Engineers Private Limited	• Purchase- Pressure steel radiators • Services rendered for fabrication work
Epoxy Terminal and Equipment Private Limited	• Sale of machinery • Rendered services to the Company in relation to overhauling and winding coils

SCHEDULE 7

COMPLIANCE

1 General

1.1 Constitutional and corporate documents

- 1.1.1 Maintain its status and ensure that its constituent documents are in accordance with all applicable Law and regulations.
- 1.1.2 Maintain and update of (i) the minutes books; (ii) the register of director's shares and debenture holdings; (iii) the register of charges; (iv) the register of directors; (iv) the register of deposits of the Company; and such other registers and books, as required under the Act, at its registered office.
- 1.1.3 Correctly make up, duly file and/or deliver all returns and particulars, resolutions and other constitutional and corporate documents that the Company is required by law to file with or deliver to any relevant authority.

1.2 Compliance with Laws

- 1.2.1 Use its best efforts to ensure that neither the Company nor any of its officers, agents or employees (during the course of their duties) does or omits to do anything with respect to the affairs of the Company, which is a contravention of any Law, regulation or the requirements of any regulatory body.
- 1.2.2 Use its best efforts to ensure that:
 - i. its business is conducted in compliance, with all applicable rules, Laws, requests, orders, statutes and judgments of any Governmental Authorities that have an impact on or are enforceable against the Company; and
 - ii. neither the Company nor any director acting for or on behalf of the Company, directly or indirectly, (a) makes or authorizes the making of any contribution, gift, bribe, pay off, influence payment, kickback, or any other fraudulent payment in any form, whether in money, property, or services, or anything of value to any public

official or otherwise (A) to obtain favourable treatment in securing or retaining business or directing business to the Company, (B) to pay for favourable treatment for business secured, or (C) to obtain special concessions or for special concessions already obtained, in each case which would have been in violation of any applicable Law, or (b) establishes or maintains any fund or assets in which the Company shall have proprietary rights that have not been recorded in the books and records of the Company, or (c) commits any act which will violate any applicable anti-bribery or corrupt practice Law.

1.3 Licenses and consents

1.3.1 Apply for, maintain and ensure the compliance with, all licenses and Consents (including all environmental approvals received from the respective pollution control authorities) as well as the fulfilment of any and all terms and conditions in order to remain eligible for any grants, subsidies, tax or duty related holidays/concessions/rebates, benefits, exemptions granted to the Company under any applicable Law.

2 Accounts & Financials

2.1 Exercise all rights and powers available to it to procure that the accounts of the Company

2.1.1 are prepared in accordance with the generally accepted accounting principles;

2.1.2 correctly state the assets and liabilities of the Company and give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company; and

2.1.3 contain either provision adequate to cover, or provide full particulars in notes of, all Taxation (including deferred taxation) and other liabilities whether quantified, contingent or otherwise of the Company.

3 Insurance

3.1 Company's assets and contractual liabilities to the satisfaction of the Acquirer, and as may be required under contracts to which it is a party.

4 Taxation

4.1 General

- 4.1.1 *Taxation Liabilities.* Exercise all rights and powers available to it to procure that all Taxation of any nature whatsoever for which the Company is liable and which has fallen due for payment is duly paid except for such payments as the Company may decide to contest in good faith and based on legal advice.
- 4.1.2 *Taxation Returns.* Exercise all rights and powers available to it to procure that all notices, computations and returns are properly and duly submitted by the Company to the relevant Taxation authorities and all information, notices, computations and returns submitted to such authorities are true, accurate and complete in all material respects and that all records which the Company is required to keep for Taxation purposes, or which would be needed to substantiate any claim made or position taken in relation to Taxation by the Company, are duly kept at the premises of the Company.
- 4.1.3 Correctly make up, duly file and/or deliver all returns and particulars, resolutions and other constitutional and corporate documents that the Company is required by law to file with or deliver to any relevant authority.

4.2 Deductions and withholdings

- 4.2.1 Exercise all rights and powers available to it to procure that the Company makes all deductions in respect or in account, of any Taxation from any payments made by it which it is obliged to make and accounts in full to the appropriate authority for all amounts so deducted.

SCHEDULE 8

PROMOTER GUARANTEE'S AND COLLATERAL SECURITIES

Sr. No.	Particulars of the Security offered	Name of the Owner
1	G 9 to 11, Bhavya's Sree Arcade, Errgadda, Hyderabad- 500018	Mr. K. Linga Reddy
2	107 & 108, Bhavya's Sree Arcade, Errgadda, Hyderabad- 500018	Mr. K. Linga Reddy & K. Ravi Krishna
3	Flat No. 206, Ram's Enclave, Erragadda, Hyderabad- 500018	Mr. K. Linga Reddy
4	Plot No. 205, HUDA Layout, Miyapur, Hyderabad	Mr. K. Linga Reddy

Personal Guarantee

Personal Guarantee given by the Promoters under the Omnibus Counter Guarantee dated June 27, 2011 in favour of State Bank of India in connection with the borrowings of the Company guaranteeing an amount of up to INR 177,000,000 as availed by the Company as on such date.

SCHEDULE 9
FINANCIAL STATEMENTS
(REDACTED)