

A detailed note on the Composite Scheme of Arrangement ("Scheme")

The Hon'ble Hon'ble High Court of Judicature at Allahabad ("Hon'ble High Court"), vide its order dated July 08, 2016, has sanctioned the Composite Scheme of Arrangement (Scheme) among Jindal Saw Limited ('the Company / Demerged Company 1/ Resulting Company 2'), JITF Infralogistics Limited ("Resulting Company 1"), JITF Shipyards Limited (Transferor Company), JITF Waterways Limited (Demerged Company 2/ Transferee Company) and their Shareholders and Creditors with effect from the Appointed Date as mentioned in the Scheme.

The Company obtained the certified true copy of the said order of the Hon'ble High Court on August 02, 2016. All the companies have filed the said order with the office of the Registrar of Companies, Kanpur on August 05, 2016 (Effective Date).

BUSINESS ASPECTS OF THE SCHEME

Rationale & Objective of the Scheme

The Demerged Company 1 currently has business interests in diverse businesses such as manufacturing of steel pipes and steel pellets and infrastructure business. The management of the Demerged Company 1 believes that the business interests of the Demerged Company 1 in the Demerged Undertaking 1, which comprises of the business interests of the Demerged Company 1 in the infrastructure sector, require dedicated management focus and business strategies to develop the growth potential in the relevant business market. With a view to achieve greater management focus on its business interests in the manufacturing of steel pipes and steel pellets, the management of the Demerged Company 1 proposes to demerge its business interests in the infrastructure sector comprising of the Demerged Undertaking 1, and vest the same with the Resulting Company 1 (a wholly owned subsidiary of Demerged Company 1). The Demerged Company 1 will retain the manufacturing of steel pipes and steel pellets businesses. Further, the demerger of the Demerged Undertaking 1 and vesting of the same with Resulting Company 1 would enable the Resulting Company 1 to focus on infrastructure business and further create value for all of its stakeholders. Further, the listing of the equity shares of Resulting Company 1 on the Stock Exchanges (*as defined hereinafter*) would help the shareholders of Resulting Company 1 to unlock the value of their shares.

Pursuant to the demerger of Demerged Undertaking 1 and vesting of the same in the Resulting Company 1, the issued and paid-up equity share capital of the Resulting Company 1 would be reduced as a result of cancellation of the shares held by the Demerged Company 1 in the Resulting Company 1 and the securities premium account of the Resulting Company 1 shall be reduced (if required) to set off the accumulated accounting losses (if any) relating to the Demerged Undertaking 1 that have been transferred to the Resulting Company 1 pursuant to Section I of the Scheme.



Further, pursuant to the demerger of Demerged Undertaking 1 and vesting of the same in the Resulting Company 1, the capital redemption reserve, capital reserve(if required) and the securities premium account (if required),of the Demerged Company 1 shall be reduced to set off the difference between the amount of assets over the amount of liabilities and accumulated accounting losses (if any), pertaining to the Demerged Undertaking 1 being transferred by the Demerged Company 1 pursuant to Section I of the Scheme and the amount of investment held by the Demerged Company 1 in the Resulting Company 1 and cancelled by Demerged Company 1.

Further, both the Transferor Company and the Transferee Company are engaged in waterways transportation business (consisting of ocean waterways and inland waterways transportation). Therefore, with a view to consolidate the business interests of the Transferor Company and the Transferee Company in the waterways transportation business, the Transferee Company and the Transferor Company have decided that the Transferor Company with all its business interests including those in waterways transportation business (consisting of ocean waterways and inland waterways transportation), be amalgamated with its wholly owned subsidiary company, the Transferee Company which is also *inter alia* engaged in the waterways transportation business.

On a long term basis, management of Transferee Company wishes to focus on inland waterways transportation business. Therefore, the proposed amalgamation of the Transferor Company comprising of its business interests *inter alia* in inland waterwaystransportation business with the Transferee Company would therefore be in the best interests of the shareholders, creditors and employees of the Transferor Company and the Transferee Companyand would also*inter alia* have the following benefits:

- (a) the proposed amalgamation would result in consolidation of the operations of waterways transportation business in the Transferee Company which will lead to synergies, reduction in operational costs and operational efficiencies in the existing operations of the inland waterways transportation business; and
- (b) the proposed amalgamation would result in better growth prospects in the inland waterways transportation business.

Further, pursuant to the amalgamation of the Transferor Company with the Transferee Company, the entire share capital of the Transferee Company held by the Transferor Company would be cancelled and the Transferor Company shall stand dissolved without winding up. Further,the capital reserve (if required) andthe securities premium account (if required) of the Transferee Companyshall be reduced to set off the debit balance (if any) of the capital reserve created pursuant to the amalgamation of the Transferor Company with the Transferee Companyand accumulated accounting losses, if any, of the Transferee Company acquired by it pursuant to the amalgamation of the Transferor Company with the Transferee Company.



The Demerged Company 2 is a step down wholly owned subsidiary of the Resulting Company 2, however, pursuant to the amalgamation of the Transferor Company with the Demerged Company 2/Transferee Company the Demerged Company 2 will become a direct wholly owned subsidiary of the Resulting Company 2. Demerged Company 2 has business interests in diverse businesses such as ocean shipping, inland waterways transportation and business process outsourcing. The Resulting Company 2 operates various manufacturing and job work facilities situated in India, USA, Italy, Dubai, etc. for production and sale of finished goods. With a view to integrate the manufacturing presence of the Resulting Company 2 in India and abroad, it is imperative for the Resulting Company 2 to have its own ocean logistics support system for transit of finished goods between multiple domestic/ international locations. Therefore, the demerger of the Demerged Undertaking 2 and vesting of the same with Resulting Company 2 would not only enable the Resulting Company 2 to strengthen its ocean logistics capabilities by providing the Resulting Company 2 with efficient in-house ocean logistics facilities for the shipment of materials between various domestic/ international locations, but also insulate the Resulting Company 2 from the vagaries of third party logistic providers in the shipping industry and would thereby not only stabilize the operating costs of the Resulting Company 2 but also result in synergies and better utilisation of capabilities and resources. Further, the management of the Demerged Company 2 also believes that the demerger of the Demerged Undertaking 2 will result in better utilisation of capabilities and resources of the Demerged Undertaking 2. Since the Demerged Company 2 will become a direct wholly owned subsidiary of the Resulting Company 2 upon effectiveness of the amalgamation of the Transferor Company with the Transferee Company in accordance with Section II of the Scheme, the Demerged Company 2 there shall be no consideration payable by the Resulting Company 2 to the shareholder of the Demerged Company 2 (that is, the Resulting Company 2 itself) for the demerger of the Demerged Undertaking 2 from Demerged Company 2 and vesting of the same with the Resulting Company 2.

Pursuant to the demerger of Demerged Undertaking 2 and vesting of the same in the Resulting Company 2, the capital redemption reserve(if required), capital reserve(if required) and the securities premium account (if required) of the Resulting Company 2 shall be reduced to set off the accumulated accounting losses (if any) relating to the Demerged Undertaking 2 transferred to the Resulting Company 2 and the debit balance (if any) of the restructuring reserve account of the Resulting Company 2.

Pursuant to the demerger of the Demerged Undertaking 2 and vesting of the same in the Resulting Company 2, the capital reserve (if required) and the securities premium account (if required) of the Demerged Company 2 shall be reduced to set off the debit balance (if any) of the restructuring reserve account of the Demerged Company 2.

The demerger of the Demerged Undertaking 1 by the Demerged Company 1 and vesting of the same with the Resulting Company 1 and the demerger of the Demerged Undertaking 2 by the Demerged Company 2 and vesting of the same with the Resulting Company 2 (after the amalgamation of the Transferor Company with the Transferee Company (i.e. Demerged Company 2)) would be in the best interests of the shareholders, creditors and employees of the



Demerged Company 1/ the Resulting Company 2, the Demerged Company 2 and the Resulting Company 1 respectively, as it would result in enhancement of shareholder value, operational efficiencies and greater focus and would enable the management of each of the Demerged Company 1/ Resulting Company 2, the Demerged Company 2 and the Resulting Company 1 respectively to vigorously pursue revenue growth and expansion opportunities.

In view of the abovementioned reasons, it is considered desirable and expedient to demerge the Demerged Undertaking 1 of the Demerged Company 1 and vest the same with the Resulting Company 1, to amalgamate the Transferor Company with the Transferee Company and to demerge the Demerged Undertaking 2 of the Demerged Company 2 and vest the same with the Resulting Company 2 (after the amalgamation of the Transferor Company with the Transferee Company (i.e. Demerged Company 2)). The abovementioned demerger of the Demerged Undertaking 1 and Demerged Undertaking 2 is also in accordance with Section 2(19AA) of the IT Act (*as defined hereinafter*). The abovementioned amalgamation is also in accordance with Section 2(1B) of the IT Act.

Salient features of the Scheme

This composite Scheme of Arrangement for demerger and amalgamation is presented under the provisions of Sections 391 – 394 read with Sections 100 – 103 of the 1956 Act and/ or other relevant provisions of the Act, for the

- (i) demerger of the Demerged Undertaking 1 of the Demerged Company 1 and vesting of the same in the Resulting Company 1;
- (ii) the reduction of the issued and paid-up equity share capital and securities premium account (if required) of the Resulting Company 1
- (iii) Reduction of the capital redemption reserve, capital reserve (if required) and the securities premium account (if required) of the Demerged Company 1;
- (iv) transfer of a part of the authorized share capital from the Demerged Company 1 to Resulting Company 1;
- (v) listing of the equity shares of Resulting Company 1 on the Stock Exchanges;
- (vi) amalgamation of the Transferor Company with the Transferee Company;
- (vii) the reduction of the capital reserve (if required) and the securities premium account (if required) of the Transferee Company
- (viii) Dissolution without winding up of the Transferor Company
- (ix) transfer of the authorized share capital from the Transferor Company to the Transferee Company 1;
- (x) Change in the name of the Transferee Company;
- (xi) demerger of the Demerged Undertaking 2 of the Demerged Company 2 and vesting of the same in the Resulting Company 2;
- (xii) the reduction of the capital redemption reserve (if required), capital reserve (if required) and the securities premium account (if required) of the Resulting Company 2;
- (xiii) the reduction of the issued and paid-up equity share capital, capital reserve (if required) and the securities premium account (if required) of the Demerged Company 2;



- (xiv) transfer of the authorized share capital pertaining to the Demerged Undertaking 2 from the Demerged Company 2 to Resulting Company 2

Share Entitlement Ratio:

As per Clause 4.3 of Section I of the Scheme:

The respective boards of directors of the Demerged Company 1 and the Resulting Company 1 or committees thereof have determined the share entitlement ratio such that for every 622 (Six Hundred twenty two) equity shares of face value Rs.2 (Rupees two) each held in the Demerged Company 1 as on the Demerger 1 Record Date, the equity shareholders of the Demerged Company 1 shall be issued 50 (Fifty) equity share of face value Rs.2 (Rupees Two only) each credited as fully paid-up in the Resulting Company 1. Accordingly, a total of 2,57,03,707 (Two crore fifty seven lakhs three thousand seven hundred seven) new equity shares of face value Rs.2 (Rupees Two only) each will be issued by the Resulting Company 1. The Resulting Company 1 shall, without any further act, instrument or deed, issue and allot to every equity shareholder of the Demerged Company 1 as on the Demerger 1 Record Date, the requisite number of equity shares in the Resulting Company 1. The said equity shares in the Resulting Company 1 to be issued to the shareholders of the Demerged Company 1 pursuant to this Clause shall rank *paripassu* in all respects with the existing equity shares of the Resulting Company 1.

FINANCIAL ASPECTS OF THE SCHEME

Details of Revenue, Results and Capital Employed of the Demerged Company 1 and Resulting Company 1 are mentioned hereunder:

The Board of Directors of Jindal Saw Limited (Demerged Company) in their meeting held on August 12, 2016, approved the financial results for the year ended March 31, 2016 and JITF Infralogistics Limited (Resulting Company 1) have in their meeting held on August 12, 2016, approved the financial results for the year ended March 31, 2016.



The details of the Revenue, Results and Capital employed of the Demerged Company and the Resulting Company 1 are given hereunder:

S.N.	Particulars	Rs. In Lacs	
		Jindal Saw Limited (Demerged Company)	JITF Infralogistics Limited (Resulting Company 1)
		Year ended 31 st March, 2016 (Audited)	Year ended 31 st March, 2016 (Audited)
1	Total Revenue (including other income)	6,54,420.47	321.32
2	Total Expenditure	5,65,896.99	1.54
3	Profit / (Loss) from ordinary activities before finance cost and exceptional items	88,523.48	319.78
4	Finance Cost	49,447.10	0.18
5	Profit / (Loss) from ordinary activities after finance cost and exceptional items	39,076.38	319.60
6	Exceptional items – Gain / (Loss)	(13,321.32)	-
7	Profit / (Loss) before tax	25,755.06	319.60
8	Tax	3,622.26	116.00
9	Net Profit / (Loss) for the period	22,132.80	203.60
10	Capital Employed*	7,98,631.43	31749.25

*Capital Employed = Total Assets – Current Liabilities.

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[Circular stamp: JINDAL SAW LIMITED, NEW DELHI]