

As approved by the Board of Directors of ITC Limited at its meeting held on 28th August, 2013

SCHEME OF ARRANGEMENT

(Under Sections 391 and 394 read with Sections 78, 80, 100
and other applicable provisions of the Companies Act, 1956)

BETWEEN

WIMCO LIMITED: DEMERGED COMPANY

AND

ITC LIMITED: RESULTING COMPANY

AND

THEIR RESPECTIVE SHAREHOLDERS

**For Demerger of Non-Engineering Business of Wimco Limited to ITC Limited and
consequent Reorganisation of Share Capital of Wimco Limited**

This Scheme is divided into 3 (three) parts:

- Part I – Preliminary: Definitions, Share Capital and Objects & Reasons**
 - Part II – Demerger of Demerged Undertaking of Wimco Limited to ITC Limited and consequent Reorganisation of Share Capital of Wimco Limited**
 - Part III – General/ Residuary Terms and Conditions**
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PART – I

(PRELIMINARY: DEFINITIONS, SHARE CAPITAL AND OBJECTS & REASONS)

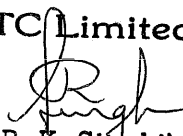
1. Definitions:

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

- i. “Act” means the Companies Act, 1956 or any amendment thereto or re-enactment thereof.
- ii. “Agri (Forestry) Business” means the business of the Demerged Company engaged primarily in growing and selling high quality poplar and eucalyptus entire transplants (i.e. saplings).

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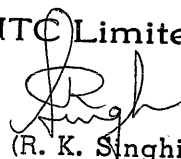

(R. K. Singhi)

Senior Deputy Secretary

- iii. **“Appointed Date”** means the 1st day of April, 2013, or such other date as may be fixed or approved by the Hon’ble High Court of Judicature at Bombay and the Hon’ble High Court at Calcutta.
- iv. **“Demerged Company”** means Wimco Limited, an existing company within the meaning of the Act, having its registered office at Indian Mercantile Chambers, Ramjibhai Kamani Marg, Ballard Estate, Mumbai 400 001 in the State of Maharashtra.
- v. **“Demerged Undertaking”** means the Non-Engineering Business of the Demerged Company as a going concern which includes Agri (Forestry) Business and Safety Matches Business. Demerged Undertaking includes all properties, rights and powers and all debts, liabilities, duties and obligations comprised in and/ or pertaining to the Demerged Undertaking, including:
- (a) all properties and assets, movable and immovable, freehold and leasehold, real and personal, tangible and intangible, corporeal and incorporeal, in possession, or in reversion, present and contingent of whatsoever nature, wheresoever situated, as on the Appointed Date relating to the Demerged Undertaking, including Premises of Demerged Undertaking as defined herein, all other lands and buildings, commercial and residential flats and offices, leases, tenancies and agencies of the Demerged Company relating to the Demerged Undertaking, plant and machineries, electrical installations, vehicles, equipments, furnitures, investments (including but not limited to investment in equity shares of the wholly owned subsidiaries of the Demerged Company, namely, Pavan Poplar Limited and Prag Agro Farm Limited), sundry debtors, inventories, other current assets, cash and bank balances, bills of exchange, deposits, loans and advances and other assets as appearing in the books of account of the Demerged Company in relation to the Demerged Undertaking;
- (b) all other interests or rights in or arising out of or relating to the Demerged Undertaking together with all respective powers, interests, charges, privileges, benefits, entitlements, building plans - approvals or any applications made therefor, industrial and other registrations (including Industrial Registration Certificate Nos. R/36(3)/17 dated 17.08.1957, R/36(3)/34 dated 17.10.1957, R/36(3)/35, R/36(3)/36 and R/36(3)/37, all dated 31.10.1957, and consolidated by Letter No. 2(4)/2012–IL dated 21.08.2013 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India), licenses, quotas, brands and trademarks, patents, copyrights, other intellectual property rights, liberties, easements and advantages, subsidies, grants, taxes, tax credits/ incentives (including but not limited to credits/ incentives in respect of income tax, sales tax, value added tax, turnover tax, excise duty, service tax etc.), deferred tax benefits and other benefits appertaining to the Demerged Undertaking and/or to which the Demerged Company is entitled to in respect of the Demerged Undertaking of whatsoever kind, nature or description held, applied for or as may be obtained thereafter together with the benefit of all respective contracts and engagements relating to the Demerged Undertaking;

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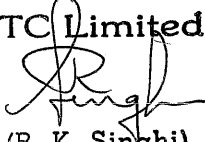
- (c) powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephones, facsimile connections and installations, utilities, electricity, water and other services, and all other interests in connection with or relating to the Demerged Undertaking;
- (d) all debts, liabilities, duties and obligations of the Demerged Company in relation to the Demerged Undertaking, including liabilities on account of loans, sundry creditors, sales tax, bonus, gratuity and other taxation and contingent liabilities of the Demerged Company pertaining to or relating to the Demerged Undertaking;
- (e) all employees of the Demerged Company engaged in or in relation to the Demerged Undertaking, on the date immediately preceding the Effective Date; and
- (f) all books, records, files, papers, computer software alongwith their licenses, manuals and backup copies, drawings, data catalogues, and other data and records, whether in physical or electronic form, directly or indirectly in connection with or relating to the Demerged Undertaking.

A statement of assets and liabilities of the Demerged Undertaking as at 31st March, 2013 is set out in the **Schedule** hereto.

- vi. **“Effective Date”** means the date or last of the dates on which certified copies of the orders of the Hon’ble High Court of Judicature at Bombay and the Hon’ble High Court at Calcutta sanctioning the Scheme are filed by the Demerged Company and the Resulting Company with the respective Registrar of Companies. References in this Scheme to the date of “coming into effect of this Scheme” or “upon the Scheme becoming effective” shall mean the Effective Date.
- vii. **“Engineering Business”** means the business of the Demerged Company, engaged in fabrication/ assembly of machinery, including tube filling machines, cartoning machines, wrapping machines, loading machines and conveyor solutions, and assets and liabilities relating thereto.
- viii. **“Non-Engineering Business”** means the entire business of the Demerged Company other than Engineering Business and includes Agri (Forestry) Business and Safety Matches Business of the Demerged Company, and assets and liabilities relating thereto.
- ix. **“Premises of Demerged Undertaking”** means the premises of the Demerged Company pertaining to the Demerged Undertaking at various locations, including premises of the Demerged Company at Clutterbuckganj, Bareilly and Chandain Farm, Tehsil Bilaspur, District Rampur in the State of Uttar Pradesh; Ernavur Village, Tiruvottiyur, Chennai and Adankarkulam Village, District Tirunelveli Kattabomman in the State of Tamil Nadu; Dakshineswar, Alambazar, Kolkata in the State of West Bengal; Amco Road, Dhubri in the State of Assam; Village Bagwala, Kashipur Road, Rudrapur in the State of

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Uttarakhand; and part of premises of the Demerged Company at Kalyan Badlapur Road, Near Wimco Naka, Ambarnath, District Thane in the State of Maharashtra.

- x. **“Record Date”** means the date to be fixed by the Board of Directors of the Demerged Company or a Committee thereof, in consultation with the Resulting Company, for the purpose of determining the members of the Demerged Company to whom new shares in the Resulting Company will be allotted under the Scheme.
- xi. **“Resulting Company”** means ITC Limited, an existing company within the meaning of the Act, having its registered office at Virginia House, 37 Jawaharlal Nehru Road, Kolkata 700 071 in the State of West Bengal.
- xii. **“Safety Matches Business”** means the business of the Demerged Company engaged in the manufacture and trading of safety matches under various brands.
- xiii. **“Scheme”** means this Scheme of Arrangement in the present form or with such modifications as sanctioned by the Hon’ble High Court of Judicature at Bombay and the Hon’ble High Court at Calcutta.
- xiv. Word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed thereto.
- xv. Word(s) and expression(s) in singular shall include plural and vice versa.
- xvi. All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context thereof, have the same meaning ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Income-tax Act, 1961 and other applicable laws, rules, regulations, bye laws, as the case may be, including any amendment thereto or re-enactment thereof.

2. Share Capital:

The Authorised, Issued, Subscribed and Paid-up Share Capital of the Demerged Company and the Resulting Company as on the date of approval of this Scheme by the respective Board of Directors of the said companies, i.e. as on 28th August, 2013 is as under:

i. Demerged Company:

<u>Authorised Share Capital:</u>	<u>(Amount in Rs.)</u>
35,00,00,000 Equity Shares of Re. 1/- each	35,00,00,000/-
113,00,00,000 Redeemable Preference Shares of Rs. 100/- each	113,00,00,000/-

	148,00,00,000/-

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Issued, Subscribed and Paid-up Share Capital:

18,84,60,000 Equity Shares of Re. 1/- each, fully paid-up	18,84,60,000/-
50,00,00,000 Zero Coupon Preference Shares of Rs. 100/- each, fully paid-up	50,00,00,000/-

	68,84,60,000/-

The Resulting Company holds 98.21% of the Equity Share Capital and the entire Preference Share Capital of the Demerged Company. The Equity Shares of the Demerged Company are not listed on any Stock Exchange.

ii. Resulting Company:

<u>Authorised Share Capital:</u>	<u>(Amount in Rs.)</u>
10,00,00,00,000 Ordinary Shares of Re. 1/- each	10,00,00,00,000/-

Issued, Subscribed and Paid-up Share Capital:

7,91,64,14,660 Ordinary Shares of Re. 1/- each, fully paid-up	7,91,64,14,660/-
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The Ordinary Shares of the Resulting Company are listed on National Stock Exchange of India Limited, BSE Limited and The Calcutta Stock Exchange Limited.

3. Objects and Reasons:

- 3.1. The business of the Demerged Company is broadly divided into two segments viz. Engineering Business and Non-Engineering Business [which includes Agri (Forestry) Business and Safety Matches Business].
- 3.2. The Safety Matches Business has been affected mainly due to escalation in prices of raw materials like wood, splints, paperboards and key chemicals and high duty and tax differential between the mechanised sector (relevant for the Demerged Company) and the non-mechanised sector. The Demerged Company initiated several measures to rationalise costs and improve margins in this highly competitive business. The Demerged Company has also been pursuing its Agri (Forestry) Business of growing and selling high quality poplar and eucalyptus entire transplants (i.e. saplings) with a view to augmenting the availability of quality wood for producing splints needed in the Safety Matches Business. The Safety Matches Business has strong and well established brands under which its products are sold.
- 3.3. The Engineering Business of the Demerged Company is engaged in fabrication / assembly of machinery, including tube filling machines, cartoning machines, wrapping machines, loading machines and conveyor solutions.

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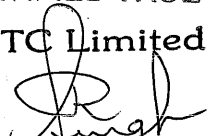

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Senior Deputy Secretary

- 3.4. The Resulting Company is a well established multi-business corporation having a diversified portfolio encompassing a wide range of businesses - fast moving consumer goods (FMCG) comprising branded packaged foods, personal care, cigarettes and cigars, branded apparel, education and stationery products, incense sticks and safety matches, hotels, paperboards & specialty papers, packaging, agri-business and information technology. It has a vast marketing and distribution network and several well established brands. At present, the products which are marketed and sold by the Resulting Company includes safety matches and the Resulting Company also pursues a robust social and farm forestry programme. Such business and activity of the Resulting Company is similar to the Non-Engineering Business of the Demerged Company. Given the aforesaid strengths of the Resulting Company and its knowledge and experience in the FMCG sector, the Resulting Company is in a much better position to derive synergies from the Non-Engineering Business of the Demerged Company. The risks and rewards and other considerations and factors applicable to the Non-Engineering Business of the Demerged Company are however different and divergent in nature from the Engineering Business of the Demerged Company.
- 3.5. In order to optimise utilisation of resources of both businesses i.e. the Engineering Business and the Non-Engineering Business, the management of the Demerged Company and the Resulting Company consider it desirable and expedient to reorganise and reconstruct the Demerged Company by segregating the Engineering Business and the Non-Engineering Business and by demerging the Non-Engineering Business to the Resulting Company in the manner and on the terms and conditions stated in this Scheme.
- 3.6. The demerger would enable the Demerged Company's Safety Matches Business to be integrated seamlessly with the Resulting Company's matches business and the Agri (Forestry) Business to be combined suitably with the Resulting Company's social and farm forestry programme with a view to deriving synergies in the form of enhanced scale of operations and cost efficiencies thus benefiting both, the Demerged Undertaking and the Resulting Company.
- 3.7. Further, the demerger will enable the Demerged Company to carry on its Engineering Business and pursue plans with greater focus and attention. The same will facilitate the business considerations and factors applicable to such business to be addressed more effectively and adequately.
- 3.8. The reorganisation of Share Capital of the Demerged Company, as provided in the Scheme, will adjust the relationship between the capital and assets of the Demerged Company appropriately consequent to the demerger and result in the Demerged Company having a more rational capital base which is commensurate with its Engineering Business. The business and activities of the respective companies will be carried on more conveniently and advantageously pursuant to the Scheme.
- 3.9. The Scheme will have beneficial results for the said companies, their shareholders and all concerned. The Scheme is proposed accordingly.

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PART – II

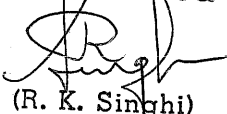
**(DEMERGER OF DEMERGED UNDERTAKING OF WIMCO LIMITED TO ITC LIMITED AND
CONSEQUENT REORGANISATION OF SHARE CAPITAL OF WIMCO LIMITED)**

4. Transfer of Undertaking:

- 4.1. With effect from the Appointed Date, the Demerged Undertaking shall be demerged from the Demerged Company and transferred to and vested in and be deemed to have been transferred to and vested in the Resulting Company as a going concern in the mode and manner provided herein.
- 4.2. In respect of the assets of the Demerged Company relating to the Demerged Undertaking as are movable in nature and are capable of transfer by manual delivery or by paying over or by endorsement and delivery, the same shall be so transferred by the Demerged Company, without requiring any deed or instrument of conveyance for the same and shall become the property of the Resulting Company accordingly and as an integral part of the Demerged Undertaking transferred to the Resulting Company.
- 4.3. In respect of the assets of the Demerged Company relating to the Demerged Undertaking other than those referred to in Clause 4.2 above, including immovable properties, trade receivables, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances, deposits and balances, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, the same shall be transferred to and vested in and be deemed to have been transferred to and vested in the Resulting Company pursuant to the provisions of Section 394(2) of the Act.
- 4.4. All debts, liabilities, duties and obligations of the Demerged Company relating to the Demerged Undertaking as on the Appointed Date including general and multipurpose borrowings, if any, dealt with in accordance with Section 2(19AA) of the Income-tax Act, 1961, and all other debts, liabilities, duties and obligations of the Demerged Company relating to the Demerged Undertaking which may accrue or arise after the Appointed Date but which relate to the period up to the day immediately preceding the Appointed Date shall also be transferred to the Resulting Company, without any further act or deed, pursuant to the provisions of Section 394(2) of the Act, so as to become the debts, liabilities, duties and obligations of the Resulting Company. It is clarified that it shall not be necessary to obtain the consent of any third party or other person, who is a party to any contract or arrangement by virtue of which such debts, liabilities, duties and obligations have arisen, in order to give effect to the provisions of this Clause.
- 4.5. It is clarified that the liabilities and obligations of the Demerged Company which are part of the Demerged Undertaking and which shall stand transferred to the Resulting Company, shall include the following:
- i. the liabilities which directly and specifically arose out of the activities or operations of the Demerged Undertaking,

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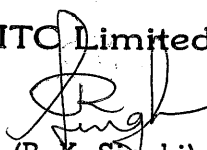

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- ii. specific loans or borrowings raised, incurred and utilised solely for the activities or operations of the Demerged Undertaking,
 - iii. in cases other than those referred to in sub-clauses (i) and (ii) above, proportionate part of the general or multipurpose borrowings and liabilities of the Demerged Company allocable to the Demerged Undertaking in the same proportion in which the value of the assets of the Demerged Company transferred under this Scheme bears to the total value of the assets of the Demerged Company immediately before the Appointed Date.
- 4.6. The transfer and vesting of the Demerged Undertaking, as aforesaid, shall be subject to the existing charges, mortgages and/ or encumbrances, if any, over the assets or any part thereof, provided however that such charges, mortgages and/ or encumbrances shall be confined only to the assets of the Demerged Undertaking of the Demerged Company or part thereof on or over which they are subsisting upon transfer to and vesting of such assets in the Resulting Company and no such charges, mortgages, and/ or encumbrances shall extend over or apply to any other asset(s) of the Resulting Company. Any reference in any security documents or arrangements (to which the Demerged Company is a party) to any assets of the Demerged Company shall be so construed to the end and intent that such security shall not extend, nor be deemed to extend, to any of the other asset(s) of the Resulting Company. Similarly, the Resulting Company shall not be required to create any additional security over assets of the Demerged Undertaking of the Demerged Company acquired by it under this Scheme for any loans, debentures, deposits or other financial assistance already availed/ to be availed by the Resulting Company and the charges, mortgages, and/ or encumbrances in respect of such indebtedness of the Resulting Company shall not extend nor be deemed to extend or apply to the assets of the Demerged Undertaking so acquired by the Resulting Company. It is clarified that the transfer of the Demerged Undertaking of the Demerged Company to the Resulting Company shall not affect the subsisting charges, mortgages and/ or encumbrances over the assets retained by the Demerged Company or any part thereof and such charges, mortgages and/ or encumbrances shall continue to be applicable in respect of such assets.
- 4.7. Loans or other obligations, if any, between the Demerged Company in relation to the Demerged Undertaking and the Resulting Company which are subsisting as on the Effective Date shall stand discharged and there shall be no liability or obligation in that behalf.
- 4.8. Subject to the other provisions contained in this Scheme, all entitlements, licenses, permissions, approvals, clearances, authorisations, consents, brands, trademarks, other intellectual property rights, registrations and no-objection certificates obtained by the Demerged Company for the operations of the Demerged Undertaking and/ or to which the Demerged Company is entitled to in relation to the Demerged Undertaking in terms of various Statutes/ Schemes/ Policies etc. of Union and State Governments, shall be available to and vest in the Resulting Company, without any further act or deed and shall be mutated by the statutory authorities concerned therewith in favour of the Resulting Company. Since the Demerged Undertaking will be transferred to and vested in the Resulting Company as a going concern without any

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8 | 18

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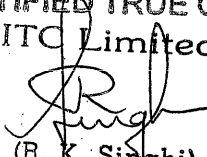
break or interruption in the operations thereof, the Resulting Company shall be entitled to enjoy the benefit of all such entitlements, licenses, permissions, approvals, clearances, authorisations, consents, brands, trademarks, intellectual property rights, registrations [including existing industrial production capacities of the Demerged Company as specified in Clause 1(v)(b) above] and no-objection certificates as enjoyed by the Demerged Company and to carry on and continue the operations of the Demerged Undertaking on the basis of the same, upon this Scheme becoming effective. Accordingly, all existing and future incentives, unavailed credits and exemptions, benefit of carried forward losses and other statutory benefits, including in respect of income tax, excise (including CENVAT credit), customs, VAT, sales tax, service tax etc. to which the Demerged Company is entitled to in relation to the Demerged Undertaking in terms of various Statutes/ Schemes/ Policies etc. of Union and State Governments, shall be available to and vest in the Resulting Company upon this Scheme becoming effective. Further, the experience, track record and credentials of the Demerged Company in relation to the Demerged Undertaking in manufacturing and supplying the products thereof to various authorities, agencies and clients prior to its transfer to the Resulting Company shall be taken into account and treated and recognised as the experience, track record and credentials in relation to such Demerged Undertaking even after its transfer to the Resulting Company, including for the purpose of eligibility, standing, evaluation and participation of the Resulting Company in all existing and future bids, tenders and contracts of such authorities, agencies and clients.

5. Legal Proceedings:

- 5.1. All legal, or other proceedings by or against the Demerged Company and relating to the Demerged Undertaking, including proceedings under various tax laws, pending as on the Effective Date, shall be continued and enforced by or against the Resulting Company. If proceedings relating to the Demerged Undertaking are taken against the Demerged Company, the Demerged Company will defend such proceedings on notice or as per advice of the Resulting Company for the benefit of and at the costs of the Resulting Company and the Resulting Company will indemnify and keep indemnified the Demerged Company from and against all liabilities, obligations, actions, claims and demands in respect thereof.
- 5.2. It is clarified that any amounts received by the Demerged Company after the Effective Date on account of any proceedings relating to the Demerged Undertaking, including proceedings under various tax laws, pending as on the Effective Date, shall be deemed to have been received in trust and on behalf of the Resulting Company and the same shall forthwith be remitted by the Demerged Company to the Resulting Company.

6. Contracts and Deeds:

Subject to the other provisions contained in this Scheme, all contracts, deeds, bonds, agreements and other instruments of whatsoever nature relating to the Demerged Undertaking to which the Demerged Company is a party, subsisting or having effect immediately before the Effective Date shall remain in full force and effect against or in favour of the Resulting Company and may be enforced as fully and effectually as if instead of the Demerged Company, the Resulting Company had been a party thereto.

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7. Saving of Concluded Transactions:

The transfer and vesting of the properties and liabilities of the Demerged Undertaking under Clause 4 above, the continuance of legal proceedings by or against the Resulting Company under Clause 5 above, and the effectiveness of contracts and deeds under Clause 6 above, shall not affect any transaction or proceeding relating to the Demerged Undertaking already completed by the Demerged Company on or before the Effective Date to the end and intent that the Resulting Company accepts all acts, deeds and things relating to the Demerged Undertaking done and executed by and on behalf of the Demerged Company as acts, deeds and things done and executed by and on behalf of the Resulting Company.

8. Employees:

8.1. The Resulting Company undertakes to engage those employees of the Demerged Company who are employed in or in relation to the Demerged Undertaking on the date immediately preceding the Effective Date, on the same terms and conditions on which they are engaged by the Demerged Company, including salary, retirement benefits and the like and, without interruption of service as a result of the transfer of the Demerged Undertaking to the Resulting Company. The Resulting Company agrees that the services of all such employees with the Demerged Company up to the Effective Date shall be taken into account for the purposes of all benefits to which the said employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits.

8.2. In respect of those employees of the Demerged Company who are employed in or in relation to the Demerged Undertaking, the Resulting Company shall stand substituted for the Demerged Company for the purpose of making contributions towards Provident Fund, Gratuity and other Superannuation benefits, if any, to the end and intent that all rights, duties, powers and obligations of the Demerged Company with respect to such employees and in relation to such benefits shall become those of the Resulting Company.

9. Conduct of Business of the Demerged Undertaking in trust for the Resulting Company:

9.1. With effect from the Appointed Date and up to and including the Effective Date:

i. The Demerged Company shall carry on and be deemed to have carried on all business and activities relating to the Demerged Undertaking in the ordinary course of business and for and on account of and in trust for the Resulting Company.

ii. All profits accruing to the Demerged Company (including taxes paid thereon) or losses arising or incurred by it relating to the Demerged Undertaking for the period falling on and after the Appointed Date shall for all purposes, be treated as the profits (including taxes paid) or losses, as the case may be, of the Resulting Company.

iii. The Demerged Company shall be deemed to have held and stood possessed of the properties to be transferred to the Resulting Company for and on account of and in trust for the Resulting Company

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10 | 18

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and, accordingly, the Demerged Company shall not (without the prior written consent of the Resulting Company) alienate, charge or otherwise deal with or dispose of the Demerged Undertaking or any part thereof, except in the ordinary course of business.

- 9.2. It is clarified that all the taxes and duties payable by the Demerged Company, relating to the Demerged Undertaking, from the Appointed Date onwards and up to the Effective Date, including all advance tax payments, tax deducted at source, tax liabilities or any refunds and claims shall, for all purposes, be treated as advance tax payments, tax deducted at source, tax liabilities or refunds and claims of the Resulting Company. Accordingly, upon the Scheme becoming effective, the Demerged Company is expressly permitted to revise and the Resulting Company is expressly permitted to file their respective income tax returns including advance tax payments, tax deducted at source certificates, sales tax/ value added tax returns, excise returns, service tax returns and other tax returns, and to claim refunds/ credits, pursuant to the provisions of this Scheme.
- 9.3. All assets (including fixed assets, current assets, cash and bank balances etc.) acquired by the Demerged Company after the Appointed Date and prior to the Effective Date for operation of the Demerged Undertaking or pertaining to the Demerged Undertaking shall be deemed to have been acquired for and on behalf of the Resulting Company.
- 9.4. All loans raised and/ or used and all liabilities and obligations incurred by the Demerged Company for the operations of the Demerged Undertaking after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent they are outstanding on the Effective Date, shall without any further act or deed be and stand transferred to the Resulting Company and shall become its liabilities and obligations on the Scheme becoming effective.
- 9.5. All loans, liabilities and obligations of the Demerged Company relating to the Demerged Undertaking as on the Appointed Date, deemed to be transferred to the Resulting Company, which have been discharged by the Demerged Company after the Appointed Date and prior to the Effective Date, shall be deemed to have been discharged for and on account of the Resulting Company.

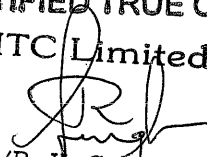
10. Issue of Shares by the Resulting Company:

- 10.1. Upon the Scheme becoming effective and in consideration of the demerger and transfer of the Demerged Undertaking, the Resulting Company shall issue and allot Ordinary Shares of Re. 1/- each in the Resulting Company ("New Ordinary Shares") to the shareholders of the Demerged Company whose names appear in the Register of Members of the Demerged Company as on the Record Date in the following ratio:

2 (Two) Ordinary Shares of Re. 1/- each of the Resulting Company credited as fully paid-up, for every 77 (Seventy Seven) Equity Shares of Re. 1/- each fully paid-up held in the Demerged Company ("Entitlement Ratio").

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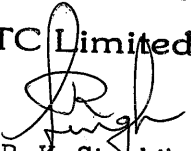

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Senior Deputy Secretary

- 10.2. No New Ordinary Shares shall be allotted by the Resulting Company in respect of the fractional entitlements, if any, to which the shareholders of the Demerged Company may be entitled to in terms of the Entitlement Ratio. The fractional entitlements of the relevant shareholders of the Demerged Company shall be consolidated and thereupon New Ordinary Shares shall be issued and allotted in lieu thereof to such Director(s), officer(s) or other person(s) as shall be nominated by the Resulting Company ["Trustee(s)"] who shall hold the shares in trust on behalf of the shareholders of the Demerged Company entitled to the fractional entitlements on the express understanding that such Trustee(s) shall sell the same in the market at such time or times and at such price or prices, as deemed fit by such Trustee(s), and the net sale proceeds thereof shall be distributed, subject to deduction of tax as applicable and related expenses, to the shareholders of the Demerged Company in proportion to their respective fractional entitlements.
- 10.3. No New Ordinary Shares can be issued by the Resulting Company in respect of Equity Shares of the Demerged Company held by non-residents in terms of the Consolidated Foreign Direct Investment Policy dated April 5, 2013 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India. The entitlements of the non-resident shareholders of the Demerged Company in terms of the Entitlement Ratio shall thereupon be consolidated and New Ordinary Shares shall be issued and allotted in lieu thereof to such Director(s), officer(s) or other person(s) as shall be nominated by the Resulting Company ["Trustee(s)"] who shall hold the shares in trust on behalf of the non-resident shareholders of the Demerged Company on the express understanding that such Trustee(s) shall sell the same in the market at such time or times and at such price or prices, as deemed fit by such Trustee(s), and the net sale proceeds thereof shall be distributed, subject to deduction of tax as applicable and related expenses, to the non-resident shareholders of the Demerged Company in proportion to their respective entitlements.
- 10.4. It is clarified that no New Ordinary Shares shall be issued by the Resulting Company to any person whatsoever in respect of the Equity Shares and Preference Shares in the Demerged Company held by the Resulting Company itself.
- 10.5. All the New Ordinary Shares to be issued and allotted by the Resulting Company under this Scheme shall rank *pari passu* in all respects with the existing Ordinary Shares of the Resulting Company and shall be subject to the Memorandum and Articles of Association of the Resulting Company.
- 10.6. The New Ordinary Shares of the Resulting Company issued in terms of the Scheme shall, subject to applicable regulations, be listed and/ or admitted to trading on the Stock Exchanges where the Ordinary Shares of the Company are listed and/ or admitted to trading.

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- 10.7. The New Ordinary Shares to be issued by the Resulting Company in respect of any Equity Shares of the Demerged Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise, shall also be kept in abeyance.
- 10.8. In respect of the shareholding of the members in the Demerged Company held in the dematerialised form, the New Ordinary Shares in the Resulting Company shall, subject to applicable regulations, be issued to them in the dematerialised form with such shares being credited to the existing depository accounts of the members of the Demerged Company entitled thereto, as per records maintained by the National Securities Depository Limited and/ or Central Depository Services (India) Limited on the Record Date and made available by the Demerged Company.
- 10.9. In respect of the shareholding of the members in the Demerged Company held in the certificate form, the New Ordinary Shares of the Resulting Company shall be issued to such members in certificate form. Members of the Demerged Company desirous of receiving the New Ordinary Shares in the Resulting Company in dematerialised form should have their shareholding in the Demerged Company dematerialised on or before the Record Date.

11. Reorganisation of Share Capital of the Demerged Company:

- 11.1. Consequent to the demerger and as an integral part of the Scheme, the existing Share Capital of the Demerged Company shall stand reorganised by cancellation of Preference Share Capital.
- 11.2. The existing paid-up Preference Share Capital of the Demerged Company of Rs. 50,00,00,000/- divided into 50,00,000 Zero Coupon Preference Shares of Rs. 100/- each shall stand cancelled accordingly.

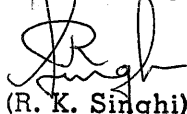
12. Accounting:

Treatment in the books of the Resulting Company

- 12.1. The assets and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at their values as appearing in the books of account of the Demerged Company at the close of business of the day immediately preceding the Appointed Date. In determining the value of the assets referred to hereinabove, any change in value of assets consequent to their revaluation shall be ignored in terms of Section 2(19AA) of the Income-tax Act, 1961.
- 12.2. The excess of book value of assets over book value of liabilities so recorded in the books of account of the Resulting Company, as reduced by aggregate sum of the (i) paid-up value of the New Ordinary Shares issued in terms of Clause 10, and (ii) cancellation of the carrying amount of the investment in Equity and Preference Shares of the Demerged Company in the books of account of the Resulting Company to the extent attributable to the Demerged Undertaking, shall be debited to General Reserves in the books of the Resulting Company.

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12.3. Notwithstanding the above, the Board of Directors of the Resulting Company or a Committee thereof, in consultation with its statutory auditors, is authorised to account for any of these balances in any manner whatsoever, as may be deemed fit, in accordance with the Accounting Standards prescribed by the Central Government under Section 211(3C) of the Act and generally accepted accounting principles.

Treatment in the books of the Demerged Company

12.4. Upon the Scheme becoming effective, the book value of assets and liabilities of the Demerged Undertaking as appearing in the books of account of the Demerged Company and transferred to the Resulting Company shall be reduced from the book value of assets and liabilities of the Demerged Company.

12.5. The difference between the book value of assets and liabilities of the Demerged Undertaking, shall be debited to the following accounts, in the following order:

- i. Revaluation Reserve, being no longer represented by assets transferred to the Resulting Company;
- ii. Capital Redemption Reserve;
- iii. Capital Reserve;
- iv. Securities Premium Account; and
- v. Balance, to be disclosed under a 'Demerger Adjustment Account', which shall be created specifically to account for this balance.

12.6. The debit balance of the Profit and Loss Account as appearing in the books of the Demerged Company shall be adjusted against the Preference Share Capital of the Demerged Company cancelled in terms of Clause 11 hereof.

12.7. The liability appearing in the books of account of the Demerged Company with respect to the premium payable on redemption of Preference Shares shall be reversed upon such cancellation of the Preference Share Capital of the Demerged Company. Further, the corresponding credit of reversal shall be accounted for under Securities Premium Account in the books of the Demerged Company, which was originally utilised to provide for the aforesaid premium.

12.8. Notwithstanding the above, the Board of Directors of the Demerged Company or a Committee thereof, in consultation with its statutory auditors, is authorised to account for any of these balances in any manner whatsoever, as may be deemed fit, in accordance with the Accounting Standards prescribed by the Central Government under Section 211(3C) of the Act and generally accepted accounting principles, including adjusting the Demerger Adjustment Account against future profits of the Demerged Company.

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Senior Deputy Secretary

PART – III
(GENERAL/ RESIDUARY TERMS AND CONDITIONS)

13. No change in capital structure of the Demerged Company:

Till the Effective Date, the Demerged Company shall not make any change in its capital structure through any increase, decrease, reduction, re-classification, sub-division, consolidation, re-organisation, or in any other manner, without the express written consent of the Resulting Company.

14. Applications:

The Demerged Company and the Resulting Company shall, with all reasonable dispatch, make necessary applications to the Hon'ble High Courts at Bombay and Calcutta for sanction and carrying out of the Scheme. Any such application shall, upon constitution of the National Company Law Tribunal ("NCLT"), be made and/ or pursued before the NCLT, if so required. In such event, references in this Scheme to the Hon'ble High Courts at Bombay and Calcutta shall be construed as references to the NCLT, as the context may require. The Demerged Company and the Resulting Company shall also take such other steps and proceedings as may be necessary or expedient to give full and formal effect to the provisions of this Scheme.

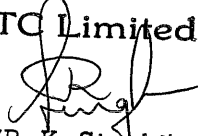
15. Modification and Implementation:

The Demerged Company and the Resulting Company (by their respective Board of Directors or Committee thereof or such other person or persons, as the respective Board of Directors may authorise) are empowered and authorised:

- i. to assent from time to time to any modifications or amendments or substitutions of the Scheme or of any conditions or limitations which the Hon'ble High Courts at Bombay and Calcutta and/ or any authorities under law may deem fit to approve or direct or which may be considered necessary due to any change in law or as may be deemed expedient or necessary; and
- ii. to settle all doubts or difficulties that may arise in carrying out the Scheme and to do and execute all acts, deeds, matters and things on behalf of the companies, necessary, desirable or proper for putting the Scheme into effect, including entering into transitional arrangements; arrangements for carrying out or performing all such formalities or compliances as may be deemed proper and necessary for effecting transfer and vesting of the properties of the Demerged Undertaking; and deciding any question that may arise as to whether whole or part of a specific asset or liability pertains or does not pertain or arises or does not arise out of the activities or operations of the Demerged Undertaking or whether a specific employee is or is not substantially engaged in relation to the Demerged Undertaking.

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Without prejudice to the generality of the foregoing, the Demerged Company and the Resulting Company (by their respective Board of Directors or Committee thereof or such other person or persons, as the respective Board of Directors may authorise) shall each be at liberty to withdraw from this Scheme in case any condition or alteration imposed by any authority is unacceptable to them or as may otherwise be deemed expedient or necessary.

16. Scheme Conditional Upon:

The Scheme is conditional upon and subject to:

- i. Approval of the Scheme by the requisite majority of the members of the Demerged Company and the Resulting Company as may be required; and
- ii. Sanction of the Scheme by the Hon'ble High Court of Judicature at Bombay and the Hon'ble High Court at Calcutta under Sections 391 and 394 and other applicable provisions of the Act.

Accordingly, the Scheme, although operative from the Appointed Date, shall become effective on the Effective Date.

17. Effect of non-receipt of approvals:

In the event that the Scheme is not sanctioned by the Courts or in the event any of the other requisite consents, approvals, permissions, sanctions or conditions are not obtained or complied with or for any other reason, the Scheme cannot be implemented, the Scheme shall not take effect and shall be withdrawn and in that event no rights or liabilities, whatsoever, shall accrue to or be incurred inter se by the parties or their shareholders or creditors or employees or any other person.

18. Remaining Business:

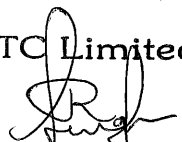
Save and except the Demerged Undertaking of the Demerged Company and as expressly provided in this Scheme, nothing contained in this Scheme shall affect the Engineering Business of the Demerged Company which shall continue to belong to and be vested in and be managed by the Demerged Company.

19. Costs:

All costs, charges and expenses in connection with the Scheme, incurred up to the stage of the Scheme becoming effective shall be borne and paid by the Resulting Company.

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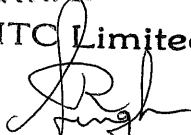

(R. K. Singhi)

Senior Deputy Secretary

20. Residual Provisions:

- 20.1. Even after this Scheme becomes operative, the Resulting Company shall be entitled to operate all bank accounts relating to the Demerged Undertaking and realise all monies and complete and enforce all subsisting contracts and transactions in respect of the Demerged Undertaking in the name of the Demerged Company insofar as may be necessary, till the transfer of rights and obligations of the Demerged Company to the Resulting Company under this Scheme is formally accepted by the parties concerned.
- 20.2. On the approval of the Scheme by the members of the Demerged Company and the Resulting Company pursuant to Section 391 of the Act, it shall be deemed that the said members have also accorded all relevant consents under Sections 78, 80, 81(1A), 100 or any other provisions of the Act to the extent the same may be considered applicable.
- 20.3. Without prejudice to the generality of the foregoing, it is clarified and provided that reduction of Reserves and Share Capital of the Demerged Company in terms of this Scheme shall be effected as an integral part of this Scheme without having to follow the procedure under Sections 78, 80 and 100 of the Act separately. The reduction would not involve either diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act are not applicable. Notwithstanding reduction of Reserves and Share Capital of the Demerged Company as aforesaid, the Demerged Company shall not be required to add "And Reduced" as suffix to its name.
- 20.4. The demerger and transfer and vesting of the Demerged Undertaking under this Scheme has been proposed in compliance with Section 2(19AA) and other applicable provisions of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Section at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said Section of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with the said provisions. Such modification will however not affect the other parts of the Scheme.

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Senior Deputy Secretary

SCHEDULE
STATEMENT OF ASSETS AND LIABILITIES OF DEMERGED UNDERTAKING
AS AT 31ST MARCH 2013

Particulars	Amount in Rs. crores
LIABILITIES	
(1) Non-current liabilities	
(a) Long-term borrowings	2.00
(b) Other long-term liabilities	59.89
(c) Long-term provisions	0.86
(2) Current liabilities	
(a) Short-term borrowings	0.18
(b) Trade payables	36.95
(c) Other current liabilities	2.28
(d) Short-term provisions	0.54
TOTAL LIABILITIES	102.70
ASSETS	
(1) Non-current assets	
(a) Fixed assets	
(i) Tangible assets	148.05
(ii) Intangible assets	0.15
(iii) Capital work-in-progress	0.48
(b) Non-current investments	5.99
(c) Long-term loans and advances	23.46
(2) Current assets	
(a) Inventories	23.00
(b) Trade receivables	1.87
(c) Cash and cash equivalents	0.97
(d) Short-term loans and advances	7.80
(e) Other current assets	1.28
TOTAL ASSETS	213.05

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Senior Deputy Secretary