

Scheme of Arrangement

IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH:
AT HYDERABAD
(ORIGINAL JURISDICTION)

COMPANY APPLICATION No.2421 OF 2004

In the matter of the Companies Act, 1956 (1 of 1956)

and

In the matter of Sections 391 and 394 of the said Act

and

In the matter of M/s. Suryalakshmi Cotton Mills Limited

and

In the matter of M/s. Rajvir Industries Limited

and

Their Respective Shareholders

M/s. Suryalakshmi Cotton Mills Limited,
a Company incorporated under the
Companies Act, 1956 having its Registered
Office at Surya Towers, 6th Floor, 105,
Sardar Patel Road, Secunderabad-500 003.,
represented by its Chairman and
Managing Director Sri L. N. Agarwal

..Transferor/(Applicant Company)

NOTICE CONVENING MEETING

To
The Members of
M/s. Suryalakshmi Cotton Mills Limited,

Take notice that by an order made on 23-12-2004, the Hon'ble High Court of Andhra Pradesh, Hyderabad has directed that the meeting of the Equity Shareholders of the Applicant Company be held at PADMASHALI KALYANA MANDAPAM, 2-12-66, NEHRU NAGAR, WEST MARREDPALLY, SECUNDERABAD-26, on Thursday the 20th January, 2005 at 11.30 A.M., for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme of Arrangement between M/s. Suryalakshmi Cotton Mills Limited and M/s. Rajvir Industries Limited and Their Respective Shareholders.

Scheme of Arrangement

Take further notice that in pursuance of the said order, the meeting of the Equity Shareholders of the Applicant Company will be held at PADMASHALI KALYANA MANDAPAM, 2-12-66, NEHRU NAGAR, WEST MARREDPALLY, SECUNDERABAD-26, on Thursday the 20th January, 2005 at 11.30 A.M., where you are requested to attend.

Take further notice that you may attend and vote at the said meeting in person or by Proxy provided that a Proxy in the prescribed Form, duly signed by you, is deposited at the Registered Office of the Company, at 6th Floor, Surya Towers, 105, S.P. Road, Secunderabad-500 003, not later than 48 hours before the meeting.

The Hon'ble High Court, Andhra Pradesh, has appointed Sri. L.Venkateshwar Rao, Advocate, to be the Chair-person of the said Meeting.

A copy of the Statement under Section 393, the Scheme of Arrangement and a Form of Proxy are enclosed.

(Sd) Sri. L.Venkateshwar Rao
Advocate

Chair-person appointed for the Meeting

Address: 6-3-712/134,
Punjagutta Colony,
Hyderabad - 500 082.

Place : Hyderabad

Date : 24-12-2004.

Scheme of Arrangement

IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH:
AT HYDERABAD
(ORIGINAL JURISDICTION)

COMPANY APPLICATION No. 2421 OF 2004

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Their Respective Shareholders

M/s. Suryalakshmi Cotton Mills Limited,
A Company incorporated under the
Companies Act, 1956 having its
Registered Office at Surya Towers,
6th Floor, 105, Sardar Patel Road,
Secunderabad-500 003., represented by its
Chairman and Managing Director
Sri L. N. Agarwal.

...Transferor/

(Applicant Company)

STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

- (1) M/s. Suryalakshmi Cotton Mills Limited (hereinafter referred to as SCML/Transferor Company) was incorporated under the Companies Act, 1956, having its Registered Office at Surya Towers, 6th Floor, 105, Sardar Patel Road, Secunderabad-500 003.
- (2) M/s. Rajvir Industries Limited, was incorporated under the Companies Act, 1956 having its Registered Office at Surya Towers, 6th Floor, 105, Sardar Patel Road, Secunderabad-500 003, (hereinafter referred to as RIL/Transferee Company).
- (3) By a Scheme of Arrangement it has been proposed to hive off the Mahabubnagar Yarn

Scheme of Arrangement

Division at Pillalamarri Road, Mahabubnagar, along with Dyeing Unit at Edira, Mahabubnagar District, to M/s. Rajvir Industries Limited with effect from 1st of September, 2004. The circumstances which justify and/necessitated the said Scheme of Arrangement are inter-alia as follows:

- i) The company started manufacturing activities at Pillalamarri Road, Mahabubnagar, Mahabubnagar District, Andhra Pradesh-509 002, for the manufacture and sale of cotton and blended yarns, etc.

The transferor company as part of its expansion, set up another Yarn Division at Amanagallu in the year 1987, a Dyeing Plant at Village Edira, Mahabubnagar in the year 1996 and a Denim Manufacturing Unit at Village Nagardhan, Tehsil Ramtek, District, Nagpur in the year 1997.

- ii) Considering the size of the company and its Business Divisions and in keeping with their unique technological and management demands, the Board of Directors of the transferor company feel that for greater focus on the different activities of the company and to ensure accelerated growth and improved profitability in the specific areas of operation, namely spinning and denim manufacturing, it would be advantageous to reorganize the Company into two individual companies each with its independent management.
 - iii) It has accordingly been decided by the transferor company on the basis of extensive discussions, meetings and consultations, between Members of the Board of Directors of the Company, Legal and other Professional Consultants to take appropriate steps to carry on more effectively and efficiently the Company's business in the larger interests of the Shareholders, Creditors, Employees and the general interest of the public, by transferring the Mahabubnagar Yarn Division along with Dyeing Unit at Village Edira, Mahabubnagar District to M/s.Rajvir Industries Limited having the same shareholders with same interest 'inter-se' as SCML has in the existing company to be managed and operated independently.
 - iv) A new Company, under the name and style of M/s. Rajvir Industries Limited has been incorporated in the State of Andhra Pradesh in order to achieve the said objective.
 - v) The Board of Directors of transferor company are of the opinion that the arrangement/reorganization is to ensure better operational management and focus on accelerated growth of the individual segments essential in the current liberalized scenario in meeting global practices, abolition of quota regime under W.T.O. from 2005, etc. and competition.
 - vi) The Board of Directors Transferor Company are confident that the proposed arrangement/reorganization would act for the benefit of the shareholders, creditors and employees and would subserve their interests with further growth.
- (4) In view of the advantages of Scheme of Arrangement, the Board of Directors of the Transferor Company at their meeting held on 30-10-2004 and Transferee Company at their meeting held on 30-10-2004 approved the Scheme of Arrangement between M/s.Suryalakshmi Cotton Mills Limited and M/s.Rajvir Industries Limited and their Respective Shareholders with effect from 1-9-2004 subject to the approval/consent of the

Scheme of Arrangement

shareholders and confirmation by the Hon'ble High Court of Andhra Pradesh, Hyderabad.

- (5) Details of the financial position of the Transferor Company as on 31-3- 2004 are detailed below:

SCML/Transferor Company:

(Rupees in Thousands)

SOURCES OF FUNDS:

SHARE HOLDERS' FUNDS:

Preference Share Capital	671.60	
Equity Share Capital	1,072.35	
Reserves & Surplus	<u>6,002.63</u>	
		7,746.58

LOAN FUNDS:

Secured Loans	13,043.19	
Unsecured Loans	<u>1,046.46</u>	14,089.65

DEFERRED TAX LIABILITY (Net)		<u>668.17</u>
		<u><u>22,504.40</u></u>

APPLICATION OF FUNDS:

FIXED ASSETS:

Gross Block	22,057.70	
Less : Depreciation	<u>7,944.47</u>	
Net Block	14,113.23	
Add : Capital Work in Progress	<u>88.03</u>	
		14,201.26

INVESTMENTS		60.39
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CURRENT ASSETS, LOANS & ADVANCES

Inventories	4,377.06	
Sundry Debtors	3,444.16	
Cash & Bank Balances	100.40	
Loans & Advances	<u>2,291.17</u>	
	10,212.79	
Less : Current Liabilities & Provision	<u>2,552.56</u>	
Net Current Assets		7,660.23
Miscellaneous Expenditure		<u>582.52</u>
(To the extent not written off or adjusted)		<u><u>22,504.40</u></u>

Scheme of Arrangement

The details of the financial position of the transferee company as on 1-9-2004 are as under:

RIL/Transferee Company (In Rupees)

SOURCES OF FUNDS:

Equity share capital of 51,500 equity
shares of Rs.10/- each 5,15,000.00

APPLICATION OF FUNDS:

Cash in hand 3,45,000.00
Miscellaneous Expenditure
Pre-operative expenditure 1,70,000.00
5,15,000.00

(6) The salient features of the Scheme are as follows:-

- (i) With effect from the Effective Date, the Mahabubnagar Yarn Division along with the Dyeing Unit shall, pursuant to Section 394(2) of the Act and without any further act or deed, be transferred to and vested in RIL subject to existing charges thereon in favour of Financial Institutions/Banks as may be modified, readjusted, apportioned or reallocated by them.
- (ii) The various incentives, sales tax deferral benefits, subsidies (including applications for subsidies), rehabilitation schemes, grants, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by the SCML shall, in so far as they relate to the Mahabubnagar Yarn Division, vest with and be available to the resulting Company on the same terms and conditions.
- (iii) All debts, duties, liabilities and obligations of SCML appertaining to the Mahabubnagar Yarn Division as on the Effective Date, whether provided for or not in the Books of Accounts of SCML, whether disclosed or undisclosed in the Balance Sheet, shall be the debts, duties, liabilities and obligations of RIL and RIL undertakes to meet, discharge and satisfy the same.
- (iv) All legal or other proceedings by or against SCML under any statute, whether pending on the Effective Date or which may be instituted in future in respect of any matter arising before the Effective Date and relating to Mahabubnagar Yarn Division (including those relating to any property, right, power, liability, obligation or duties of SCML in respect of Yarn and Dyeing Units) shall be continued and enforced by or against RIL only after the Effective Date.
- (v) With effect from the Effective Date all employees engaged in the said Mahabubnagar Yarn Division and substantially engaged for the Mahabubnagar Yarn Division in its registered office who are in the employment of SCML shall be engaged by RIL on the same terms and conditions on which they were engaged as on the Effective Date by SCML without any interruption of service as a result of the transfer.

Scheme of Arrangement

- (vi) All contracts, deeds, bonds agreements and other instruments of whatsoever nature relating to the Mahabubnagar Yarn Division to which SCML is party or to the benefit of which the SCML may be eligible and which are subsisting or having effect immediately before the Arrangement shall remain in full force and effect against or in favour of RIL and maybe enforced as fully and effectually as if instead of SCML, RIL has been party thereto.
- (vii) The exchange ratio mentioned in hereunder is based on the recommendations of Board of Directors of SCML and RIL and further affirmed by the fairness report by M/s. M.P.Chitale & Co., Chartered Accountants, Mumbai.
- (viii) Upon the sanction of the scheme and transfer of assets and liabilities of the Mahabubnagar Yarn Division, the issued and subscribed equity share capital of SCML shall be reduced from Rs.8,95,04,920/- divided into 89,50,492 equity shares of Rs.10/- each to Rs.5,96,70,000/- divided into 89,50,492 equity shares of Rs.6.667 each. Upon such reduction of share capital taking effect, 89,50,492 equity shares of Rs.6.667 each will be consolidated in such a manner that, every 3 such shares of Rs.6.667 each will be consolidated into 2 equity shares of Rs.10/- each fully paid. Every member of SCML whose name is borne in the Register of members on the Record Date shall receive 2 new equity shares of Rs.10/- each in lieu of 3 existing equity shares of Rs.10/- each in SCML.
- (ix) On approval of the scheme under sections 391 and 394 of the Act by the shareholders of the transferor company, it is deemed that the special resolution under section 100 of the said act has been passed and pursuant to the reduction of share capital of the transferor company shall not be required to add the words "and reduced" as suffix to its name.
- (x) Upon the transfer and vesting of the Mahabubnagar Yarn Division in RIL to the scheme and upon the Scheme becoming effective, RIL shall, without any further act or deed, issue and allot 1 (One) Equity Share of face value Rs.10/- each, fully paid, without any further payment for every 3 (Three) Equity Shares of Rs.10/- each, fully paid up, held by every member of SCML. Every shareholder of SCML, as stated above shall also receive 2 (Two) new equity shares of Rs.10/- each in lieu of 3 existing equity shares of Rs.10/- each in SCML.
- (xi) In case any member's holding in SCML is such that the member becomes entitled to a fraction of an equity share in RIL, RIL shall not issue fractional share certificates to such member but shall consolidate such fractions and issue consolidated equity shares to separate trustees nominated by RIL in that behalf, who shall sell such shares and distribute the net sale proceeds (after deduction of the expenses incurred) to the members respectively entitled to the same in proportion to their fractional entitlements.
- (xii) In case any members' holding in SCML is such that the member becomes entitled to a fraction of equity in SCML (i.e., in being issued 2 (two) new equity shares for every 3 (three) existing equity shares as detailed above), SCML shall not issue fractional share certificates to such member but shall consolidate such fractions and issue consolidated equity shares to separate trustees nominated by SCML in that behalf, who shall sell such shares and distribute the net sale proceeds (after deduction of the expenses incurred) to the members respectively entitled to the same in proportion to their fractional entitlements.

Scheme of Arrangement

- (xiii) The existing paid up capital of RIL is Rs.5,15, 000/- divided into 51,500 shares of Rs.10/- each, being the initial capital with which the Company has been registered. Excepting this initial paid up capital, the inter se share holding proportions of the equity shareholders of SCML in RIL will be maintained.
- (xiv) The said equity shares to be issued and allotted by RIL above shall rank pari passu in all respects, with the existing equity shares of RIL, save and except in relation to Dividends, if any, to which they may be entitled to as and from the Appointed Date.
- (xv) The new equity shares of RIL issued shall, subject to the execution of the listing agreement and payment of the appropriate fee, be listed on the National Stock Exchange, the Mumbai Stock Exchange and the Hyderabad Stock Exchange. RIL would obtain such approvals as may be necessary for the aforesaid listing in stock exchange(s) wherever the shares are listed by making suitable applications in this behalf.
- (xvi) The accounts of SCML and RIL would be prepared as per the above Arrangement on the basis of books values as on the Appointed Date.

All liabilities, assets, income and benefits, which have not been allocated or arise after the Effective Date, in so far as the same appertaining to the assets or operations of a particular Unit, shall belong to and be allocated to that Unit.

Upon the coming into effect of this Scheme, an amount representing the surplus of assets over the liabilities of Mahabubnagar Yarn Division to the extent of Rs.2,109.43 lakhs as on the appointed date shall be debited to the extent of Share Capital (Rs.298.35 lakhs) and Reserves and Surplus (Rs.1,811.08 Lakhs) in the account of SCML.

Upon the coming into effect of this Scheme, the foregoing amount of Rs.2,109.43 Lakhs shall be credited in the accounts of the RIL, as follows :

- (a) A amount of Rs.298.35 lakhs to the share capital.
- (b) The balance amount to Reserves & Surplus.

- (7) The shares held by the Directors in the Transferor Company and Transferee Company as on date are set out below:

Sl. No.	Name of the Director	SCML/Transferor company	RIL / Transferee company
1.	Sri L.N. Agarwal	8,53,138	7,500
2.	Sri U.K. Agarwal	4,91,186	7,500
3.	Sri Paritosh K. Agarwal	4,93,705	Nil
4.	Sri C. Narsi Reddy	900	Nil
5.	Sri R. Surender Reddy	15,000	Nil
6.	Dr. A. Nageswara Rao	500	Nil
7.	Sri R.S. Agarwal	Nil	Nil
8.	Sri N.L. Tibrewal	Nil	Nil
9.	Dr. B. Brahmaiah	Nil	Nil

Scheme of Arrangement

The Directors may accordingly be deemed to be interested or concerned in the Scheme to the extent of shares held by them.

- (8) The Pre and Post Scheme of Arrangement Shareholding pattern of the company as on 10-12-2004 is as given hereunder:

Sl. No.	Category of Shareholding	Pre-Arrangement		Post-Arrangement	
		No. of Shares	%age	No. of Shares	%age
A. Promoters' Holding					
	Indian Promoters	6088389	68.02	4058922	68.02
	Persons acting in Concert	—	—	—	—
	Sub-Total (A)	6088389	68.02	4058922	68.02
B. Non Promoters Holding					
	Institutional Investors				
	Mutual Funds	3100	0.03	2066	0.03
	Banks, Financial Institutions Etc.	561652	6.28	374434	6.28
	Total (B)	564752	6.31	376500	6.31
C. Others					
	Private corporate bodies	376207	4.20	250804	4.20
	Indian public	1893713	21.16	1262487	21.16
	NRIs/OCBs	27431	0.31	18287	0.31
	Sub-Total (C)	2297351	25.67	1531578	25.67
	Grand Total(A+B+C)	8950492	100.00	5967000	100.00

The Company has already filed the scheme of Arrangement with Stock Exchanges at Hyderabad, Mumbai and National Stock Exchange.

- (9) The Following documents are available for inspection at the Registered Office of the Company:
- (i) Scheme of Arrangement between the Transferor Company and the Transferee Company and Their Respective Shareholders.
 - (ii) Memorandum & Articles of Association of the Transferor Company and Transferee Company.
 - (iii) The Balance Sheet and Profit & Loss Account of the Transferor Company (audited) and The Transferee Company as at 31-8-2004.

Scheme of Arrangement

(iv) Copy of the report dt.29th October, 2004 of M.P. Chitale & Company, Chartered Accountants, Mumbai.

(Sd) Sri . L.Venkateshwar Rao
Advocate

Place : Hyderabad

Date : 24-12-2004

Chair-person appointed for the Meeting

Address: 6-3-712/134,
Punjagutta Colony,
Hyderabad - 500 082.

Scheme of Arrangement

SCHEME OF ARRANGEMENT
BETWEEN
M/s. SURYALAKSHMI COTTON MILLS LIMITED
AND
M/s. RAJVIR INDUSTRIES LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS

PREAMBLE :

WHEREAS Suryalakshmi Cotton Mills Limited (SCML) is a Company registered under the Companies Act, 1956 having its Registered Office at Surya Towers, 6th Floor, 105, Sardar Patel Road, Secunderabad-500 003.

AND WHEREAS the said Suryalakshmi Cotton Mills Limited (SCML) has the following business Units:-

Yarn Divisions

- (i) At Pillalamarri Road, Mahabubnagar, Mahabubnagar District, Andhra Pradesh-509 002. (including Dyeing Unit at Village Edira, Mahabubnagar District) and
- (ii) At Amanagallu, Mahabubnagar District, Andhra Pradesh - 509 321.

Denim Division at Ramtek Mauda Road, Village Nagardhan, Tehsil Ramtek, Nagpur-440 010.

Whereas Suryalakshmi Cotton Mills Limited (SCML) was set up in the Year 1962 by Mr. L. N. Agarwal, a well known Industrialist having vast experience in the business of Cotton, Spinning, etc.

Whereas the Company started manufacture of various varieties of Yarns, etc.

Whereas in the Year 1962 a Yarn Division was set up at Pillalamarri Road, Mahabubnagar, Mahabubnagar District, Andhra Pradesh-509 002., for the manufacture and sale of cotton and blended yarns, etc.

Whereas the Company as part of its expansion, set up another Yarn Division at Amanagallu in the year 1987, a Dyeing Plant at Village Edira, Mahabubnagar in the year 1996 and a Denim Manufacturing Unit at Village Nagardhan, Tehsil Ramtek, Dist. Nagpur in the year 1997.

WHEREAS considering the size of the company and of the Business Divisions in keeping with their unique technological and management demands, the Board of Directors feel that for greater focus on the different activities of the company and to ensure accelerated growth and improved profitability in the specific areas of operation, it would be advantageous to reorganize the Company into two individual companies each with its independent management.

Scheme of Arrangement

WHEREAS on the basis of extensive discussions, meetings and consultations, between Members of the Board of Directors of the Company, Legal and other Professional Consultants it has been decided to take appropriate steps to carry on more effectively and efficiently the Company's business by transferring the Mahabubnagar Yarn Division including Dyeing Unit at Village Edira, Mahabubnagar District to M/s.Rajvir Industries Limited in the larger interests of the Shareholders, Creditors, Employees and the general interest of the public.

WHEREAS to achieve the said objective of carrying on the business of the various Units of the Company, it has been decided to reorganize the Company Suryalakshmi Cotton Mills Limited (SCML) by transferring the Mahabubnagar Yarn Division along with Dyeing Unit to M/s. Rajvir Industries Limited having the same shareholders with same interest 'inter se' as Suryalakshmi Cotton Mills Limited (SCML) has in the existing company to be managed and operated independently.

WHEREAS to achieve the said objective a new Company, under the name and style of M/s. Rajvir Industries Limited has been incorporated in the state of Andhra Pradesh.

WHEREAS it has been decided to transfer to the new Company viz., M/s.Rajvir Industries Limited (RIL) the Yarn Division at Mahabubnagar along with Dyeing Unit.

WHEREAS the Board of Directors are of the opinion that the arrangement/ reorganization is to ensure better operational management and focus on accelerated growth of the individual segments essential in the current liberalized scenario in meeting global practices, abolition of quota regime under WTO from 2005, etc. and competition.

WHEREAS the Board of Directors are confident that the proposed arrangement / reorganization would act for the benefit of the shareholders, creditors and employees and would subserve their interests with further growth.

WHEREAS to achieve the said objective, a Scheme of Arrangement has been arrived at by the Board of Directors of M/s. Suryalakshmi Cotton Mills Limited and M/s. Rajvir Industries Limited and it has been decided to make the requisite Applications/Petitions before the Hon'ble High Court of Andhra Pradesh, Hyderabad under the Section 391, 394 and other provisions of the Companies Act, 1956 and in compliance of the provisions of Sec 2(19AA) of the Income Tax Act 1961 for the sanction of the Scheme of Arrangement:-

Scheme of Arrangement

PART - I

DEFINITIONS

In this Scheme unless repugnant to the meaning or context thereof the following expressions shall have the following meanings:-

- (1) The Act means The Companies Act, 1956(1 of 1956) including any statutory modifications, re- enactments or amendments thereof
- (2) The 'Appointed Date' means the 1st of September, 2004.
- (3) The 'Court' means the Hon'ble High Court of Andhra Pradesh, Hyderabad.
- (4) The 'Effective Date' means the last of the dates on which sanctions, approvals or orders specified in the Scheme are obtained and the certified true copies of the Orders of the Hon'ble High Court, Andhra Pradesh, Hyderabad, sanctioning this Scheme are filed with the Registrar of Companies, Andhra Pradesh, Hyderabad.
- (5) The 'Scheme' means the Scheme of Arrangement between the Suryalakshmi Cotton Mills Limited and Rajvir Industries Limited and their respective shareholders with such alterations/modifications as may be approved by Hon'ble High Court of Andhra Pradesh.
- (6) SCML means Suryalakshmi Cotton Mills Limited a Company incorporated under the Companies Act, 1956 having its Registered Office at Surya Towers, 6th Floor, 105, Sardar Patel Road, Secunderabad-500 003.
- (7) RIL means Rajvir Industries Limited a Company incorporated under the Companies Act, 1956 having its Registered Office at Surya Towers, 6th Floor, 105, Sardar Patel Road, Secunderabad-500 003 (hereinafter referred to as RIL/Transferee Company).
- (8) Mahabubnagar Yarn Division means

Spinning Division, situated at Pillalamarri Road, Mahabubnagar, Mahabubnagar District, Andhra Pradesh - 509 002 and the Dyeing Plant at Village Edira, Mahabubnagar District/ and shall include :-

All assets, movable or immovable, leasehold or freehold including all Plants and machinery, buildings, offices, road and culverts, capital works in progress, electrical installations, stocks together with all present and future liabilities including contingent liabilities and debts and any obligations under the advance licences or permits and more particularly the obligations under the advance licence scheme and Export promotion Capital Goods Scheme appertaining to Yarn division and Dyeing Unit at its Factory as on the Effective Date as per the records of SCML.

All Permits, Approvals, Registrations, Quotas, Rights, Import Quotas, Tax Credits, Industrial and other Licences, Tenancies, Municipal Licences, Offices and Depots, Trade Marks, Copy Rights, Privileges and all other Rights including Lease Rights, Licenses, powers and facilities of every kind, benefits of any deposits, right to use and avail of telephones /fax, electricity and other services, of every nature and description whatsoever appertaining to Mahabubnagar Yarn Division (along with Dyeing Unit) situated at Pillalamarri Road Mahabubnagar District, Andhra Pradesh-509 002.

Scheme of Arrangement

All employees engaged in or in relation to Mahabubnagar Yarn Division and Dyeing Unit or substantially on its rolls engaged for the Mahabubnagar Yarn Division at its Registered Office in the employment of SCML.

Various incentives, sales tax deferral benefits, subsidies, granted by any Government body, local authority, insofar as they relate to the Mahabubnagar Yarn Division and unabsorbed fiscal benefit in so far as they can be appropriated to that division.

All deposits and balances with Government/Semi-Government/ local and other authorities and bodies, customers and persons, earnest moneys, security deposits paid or received by SCML directly or indirectly in connection with or in relation to Mahabubnagar Yarn Division.

(9) "Residual Business" means all other businesses, divisions, assets and liabilities of the SCML other than the Mahabubnagar Yarn Division including Dyeing unit as defined in Sub Clause 8.

(10) "Resulting Company" or "Rajvir Industries Limited" or "RIL" means Rajvir Industries Limited, a Company incorporated under the Act and having its Registered Office at 6th Floor, Surya Towers, S.P.Road, Secunderabad –500 003.

II. SHARE CAPITAL

The present capital structure of SCML and RIL are as under:-

(In Rupees)

Authorised Share Capital:

Name of the Company

SCML

Equity shares	20,00,00,000	
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Cumulative redeemable

Preference shares	6,72,00,000	26,72,00,000
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Subscribed & Paid up Share Capital:

89,50,492 Equity Shares of Rs.10/- each fully paid up	8,95,04,920	
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6,71,600 0.10% Cumulative Redeemable Preference Shares of Rs.100/- each	6,71,60,000	
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Add : Forfeited Shares	1,77,30,258	17,43,95,178
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RIL

Authorised Capital		1,00,00,000
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Paid up Share Capital:

51,500 Equity Shares of Rs.10/- each fully paid up		5,15,000
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Scheme of Arrangement

PART - II

Transfer of Suryalakshmi Cotton Mills Limited units to RIL:-

With effect from the Effective Date, the Mahabubnagar Yarn Division shall, pursuant to Section 394(2) of the Act and without any further act or deed, be transferred to and vested in RIL or all the estate and interest of SCML therein subject to existing charges thereon in favour of Financial Institutions/Banks as may be modified, readjusted, apportioned or reallocated by them.

In respect of such of the assets of the Mahabubnagar Yarn Division, including cash and bank balances, as are movable in nature or are otherwise capable of transfer by manual delivery, by paying over or by endorsement and delivery, the same may be so delivered, paid over, or endorsed and delivered, by the SCML and shall become the property of the resulting Company as an integral part of the Mahabubnagar Yarn Division transferred to it. Such delivery shall be made on a date mutually agreed upon between the Board of Directors of the SCML and the Board of Directors of the resulting Company within thirty days from the effective date.

The various incentives, sales tax deferral benefits, subsidies (including applications for subsidies), rehabilitation schemes, grants, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by the SCML shall, in so far as they relate to the Mahabubnagar Yarn Division, vest with and be available to the resulting Company on the same terms and conditions.

It is clarified that all debts, duties, liabilities and obligations of SCML appertaining to the Mahabubnagar Yarn Division as on the Effective Date, whether provided for or not in the Books of Accounts of SCML, whether disclosed or undisclosed in the Balance Sheet, shall be the debts, duties, liabilities and obligations of RIL and RIL undertakes to meet discharge and satisfy the same.

Any liabilities and obligations of the SCML as on the appointed date deemed to be transferred to the resulting Company, which are discharged by the SCML 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. Also all loans raised and used and all liabilities and obligations incurred by the SCML for the operations of the Mahabubnagar Yarn Division 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 also be and stand transferred to the resulting Company and shall become its liabilities and obligations.

In so far as the security in respect of the liabilities of the SCML as on the appointed date is concerned, the SCML and the resulting Company shall, subject to confirmation by the concerned creditor(s), mutually agree upon and arrange for such security as may be considered necessary to secure such liabilities, and obtain prescribed consents.

All legal or other proceedings by or against SCML under any statute, whether pending on the Effective Date or which may be instituted in future in respect of any matter arising before the Effective Date and relating to Mahabubnagar Yarn Division (including those relating to any property, right, power, liability, obligation or duties of SCML in respect of Yarn and Dyeing Units) shall be continued and enforced by or against RIL only after the Effective

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Date. If proceedings are commenced against SCML between the Appointed Date and the Effective Date, RIL shall defend the same as per the advice of SCML and RIL will reimburse and indemnify SCML against all liabilities incurred by SCML in respect thereof.

SCML hereby undertakes from the Appointed date and up to including the Effective date to carry on its business with proper prudence and without the prior written consent of RIL shall not alienate, charge or otherwise deal with or dispose off Mahabubnagar Yarn Division or any part thereof (except in the usual course of business) or undertake substantial expansion of its existing business pertaining to Mahabubnagar Yarn Division other than expansions which have already been commenced.

RIL undertakes to engage on and from the Effective Date all employees of RIL engaged in the said Mahabubnagar Yarn Division and substantially engaged for the Mahabubnagar Yarn Division in its registered office who are in the employment of SCML on the same terms and conditions on which they were engaged as on the Effective Date by SCML without any interruption of service as a result of the transfer such that RIL agrees that the services of all its employees with SCML in the Mahabubnagar Yarn Division/ Registered Office up to the Effective Date shall be taken into account for the purpose of all retirement benefits to which they may be eligible in SCML up to the Effective Date. RIL further agrees that for the purpose of payment of any retrenchment compensation or gratuity and other terminal benefits, such past services with SCML shall be taken into account and agrees and undertakes to pay the same as and when payable.

The existing Provident Fund accounts opened by SCML with the Regional Commissioner of Provident Funds for its employees including the employees of the RIL shall be continued for the benefit of such employees including employees who may join RIL after the Effective Date on the same terms and conditions and with effect from such date until RIL takes steps to have such accounts transferred to a separate account in its name. Until such time, RIL shall make the necessary contributions to the Regional Commissioner of Provident Funds for such employees taken over by RIL from SCML.

The existing Employees Deposit Linked Insurance Policy obtained by SCML with LIC for its employees including employees of RIL shall be continued for the benefit of such employees including employees who may join RIL after Effective Date on the same terms and conditions and with effect from such date until RIL takes steps to obtain a separate policy in its name for its employees.

RIL undertakes to pay, discharge and satisfy all debts, liabilities, obligations of SCML appertaining to Mahabubnagar Yarn Division as on the Effective Date and all liabilities, debts, duties, obligations, relating to the said Mahabubnagar Yarn Division which may accrue or arise after the Effective Date. RIL further undertakes to pay its share in all other liabilities to SCML as and when the same is finally determined or is otherwise required to be paid.

RIL undertakes to have all legal or other proceedings by or against SCML pending on the Effective Date and relating to Mahabubnagar Yarn Division (including those relating to any property, right, power, liability or duty of SCML in respect of the said Division), transferred in its name and to have the same continued, prosecuted and enforced by or against RIL to the exclusion of SCML. RIL also undertakes to deal with all legal or other proceedings which may be started by or against SCML or RIL after the Effective Date relating to Mahabubnagar

Scheme of Arrangement

Yarn Division in its own name and account to the exclusion of SCML and further undertakes to pay all amounts including interest, penalties, damages, etc., which SCML may be called upon to pay or secure in respect of any liability or obligation relating to RIL from the Appointed Date to the period up to the Effective Date and the costs incurred by SCML in respect of any proceedings started by or against it for the period up to the Effective Date at any time after the said date on the submission of evidence by SCML to RIL.

In the event that the legal proceedings referred to herein require the SCML and the RIL to be jointly treated as parties thereto, the RIL shall be added as party to such proceedings and shall prosecute or defend such proceedings in co-operation with the SCML. In the event of any difference or difficulty in determining whether any specific legal or other proceeding relates to the Mahabubnagar Yarn Division or not, the decision of the Board of Directors of the SCML as to whether such proceeding relates to the Mahabubnagar Yarn Division or not, shall be conclusive evidence of the relationship with Mahabubnagar Yarn Division.

Subject to the other provisions contained in this Scheme, all contracts, deeds, bonds agreements and other instruments of whatsoever nature relating to the Mahabubnagar Yarn Division to which SCML is party or to the benefit of which the SCML may be eligible and which are subsisting or having effect immediately before the Arrangement shall remain in full force and effect against or in favour of RIL and maybe enforced as fully and effectually as if instead of SCML, RIL has been party thereto.

The exchange ratio mentioned hereunder is based on the recommendations of Board of Directors of SCML and RIL and further affirmed by the fairness report by M/s.M.P.Chitale & Co., Chartered Accountants, Mumbai.

Upon the sanction of the scheme and transfer of assets and liabilities of the Mahabubnagar Yarn Division, the issued and subscribed equity share capital of SCML shall be reduced from Rs.8,95,04,920 divided into 89,50,492 equity shares of Rs.10/- each to Rs.5,96,70,000 divided into 89,50,492 equity shares of Rs.6.667 each. Upon such reduction of share capital taking effect, 89,50,492 equity shares of Rs.6.667 each will be consolidated in such a manner that, every 3 such shares of Rs.6.667 each will be consolidated into 2 equity shares of Rs.10/- each fully paid. Every member of SCML whose name is borne in the Register of members on the Record Date shall receive 2 new equity shares of Rs.10/- each in lieu of 3 existing equity shares of Rs.10/- each in SCML.

On approval of the scheme under sections 391 and 394 of the Act by the shareholders of the transferor company, it is deemed that the special resolution under section 100 of the said Act has been passed and pursuant to the reduction of share capital the transferor company shall not be required to add the words "and reduced" as suffix to its name.

Upon the transfer and vesting of the Mahabubnagar Yarn Division in RIL and upon the Scheme becoming effective, RIL shall, without any further act or deed, issue and allot 1 (One) Equity Share of face value Rs. 10/- each, fully paid, without any further payment for every 3 (Three) Equity Shares of Rs.10/- each, fully paid up, held by every member of SCML. Every shareholder of SCML, as stated above shall also receive 2 (Two) new equity shares of Rs.10/- each in lieu of 3 existing equity shares of Rs.10/- each in SCML.

Scheme of Arrangement

In case any member's holding in SCML is such that the member becomes entitled to a fraction of an equity share in RIL, RIL shall not issue fractional share certificates to such member but shall consolidate such fractions and issue consolidated equity shares to separate trustees nominated by RIL in that behalf, who shall sell such shares and distribute the net sale proceeds (after deduction of the expenses incurred) to the members respectively entitled to the same in proportion to their fractional entitlements.

In case any members' holding in SCML is such that the member becomes entitled to a fraction of equity in SCML (i.e., in being issued 2 (two) new equity shares for every 3 (three) existing equity shares as detailed above), SCML shall not issue fractional share certificates to such member but shall consolidate such fractions and issue consolidated equity shares to separate trustees nominated by SCML in that behalf, who shall sell such shares and distribute the net sale proceeds (after deduction of the expenses incurred) to the members respectively entitled to the same in proportion to their fractional entitlements.

The existing paid up capital of RIL is Rs. 5,15,000/- divided into 51,500 shares of Rs.10/- each, being the initial capital with which the Company has been registered. Excepting this initial paid up capital, the inter se share holding proportions of the equity shareholders of SCML in RIL will be maintained.

The said equity shares to be issued and allotted by RIL shall rank pari passu in all respects, with the existing equity shares of RIL, save and except in relation to Dividends, if any, to which they may be entitled to as and from the Appointed Date.

The new equity shares of RIL issued shall, subject to the execution of the listing agreement and payment of the appropriate fee, be listed on the National Stock Exchange, the Mumbai Stock Exchange and the Hyderabad Stock Exchange. RIL would obtain such approvals as may be necessary for the aforesaid listing in stock exchange(s) wherever the shares are listed by making suitable applications in this behalf.

In so far as the issue of shares is concerned, each member of SCML shall have the option to be exercised, by way of giving a notice (with prescribed details) to RIL, on or before such date as may be determined by the Board of Directors of RIL, to receive the shares either in physical form or in dematerialized form. In the event that such notice or requisite details have not been received by RIL in respect of any member, the shares shall be issued by them to such members in physical form. In respect of those members exercising the option to receive the shares in dematerialized form, such members shall have opened and maintained an account with a depository participant, and shall provide such other confirmation, information and details as may be required.

Equity shares to be issued by RIL pursuant to this scheme, in respect of any equity shares of SCML which are held in abeyance under the provisions of Section 206A of the Act or otherwise, shall pending allotment or settlement of dispute by order of Court or otherwise be held by the trustees appointed by RIL.

In the event of there being any pending and valid share transfers, whether lodged or outstanding, of any shareholder of SCML, the Board of Directors or any committee thereof of SCML shall be empowered in appropriate cases, even subsequent to the specified date or

Scheme of Arrangement

the effective date, as the case may be, to effectuate such a transfer in SCML, as if such changes in the registered holder were inoperative as on the specified date, in order to remove any difficulties arising to the transferor/resulting Company of such shares.

Transfer and vesting of the assets, liabilities and obligations of the Mahabubnagar Yarn Division and continuance of the proceedings by or against the RIL shall not in any manner affect any transaction or proceedings already completed by the SCML (in respect of the Mahabubnagar Yarn Division) on or before the appointed date to the end and intent that the RIL accepts all such acts, deeds and things done and executed by and/or on behalf of the SCML as acts, deeds and things done and executed by and on behalf of the RIL.

Scheme of Arrangement

PART - III

CONDUCT OF BUSINESS

With effect from the Effective Date, the Mahabubnagar Yarn Division shall be vested in and be managed by RIL subject to existing charges thereon in favour of Financial Institutions/Banks, as may be modified, readjusted, apportioned or reallocated by them.

All legal or other proceedings by or against SCML under any statute, whether pending on the Effective Date or which may be instituted in future in respect of any matter arising before the Effective Date and relating to SCML (including those relating to any property right, power, liability, obligation or duties of SCML in respect of the SCML shall continue and be enforced by or against RIL only after the Effective Date.

PART - IV

TREATMENT IN ACCOUNTS

The accounts of SCML and RIL would be prepared as per the above Arrangement on the basis of book values as on the Appointed Date.

All liabilities, assets, income and benefits, which have not been allocated or arise after the Effective Date, in so far as the same appertaining to the assets or operations of a particular Unit, shall belong to and be allocated to that Unit.

Upon the coming into effect of this Scheme, an amount representing the surplus of assets over the liabilities of Mahabubnagar Yarn Division to the extent of Rs.2,109.43 lakhs as on the appointed date shall be debited to the extent of Share Capital (Rs.298.35 lakhs) and Reserves and Surplus (Rs.1,811.08 Lakhs) in the account of SCML.

Upon the coming into effect of this Scheme, the foregoing amount of Rs.2,109.43 Lakhs shall be credited in the accounts of the RIL, as follows :

- (a) an amount of Rs.298.35 lakhs to the share capital.
- (b) The balance amount to Reserves & Surplus.

Transactions during the period between the appointed date and effective date relating to the Mahabubnagar Division would be duly reflected in the financial statements of the resulting Company, upon the scheme coming into effect.

PART V

GENERAL TERMS AND CONDITIONS

SCML and RIL shall make necessary Applications before the Hon'ble High Court of Andhra Pradesh at Hyderabad for the sanction of the Scheme of Arrangement.

All costs, charges, taxes including duties, levies and all other expenses, if any, arising out of or incurred in carrying out and implementing the terms and provisions of this Scheme and incidental thereto shall be borne equally by both the companies.

Scheme of Arrangement

SCML (by its Directors) and RIL (by its Directors) may, in their full and absolute discretion, assent to any alteration or modification to this Scheme which the Court may impose and may give such directions as they may consider necessary to settle any question or difficulty arising under the Scheme or in regard to its implementation or in any matter connected therewith (including any question or difficulty arising in connection with any deceased or insolvent shareholders or debt holders of the respective Companies).

The Scheme is conditional upon and subject to:-

- (a) The Scheme being agreed to by the respective requisite majorities of the members (on behalf of SCML and RIL as the case may be) and the requisite orders of the Court being obtained;
- (b) Such other sanctions and approvals as may be required by Law in respect of the Scheme being obtained and;
- (c) All necessary certified copies of the orders referred to in this Scheme being filed with the Registrar of Companies, Andhra Pradesh, Hyderabad.

In the event of this Scheme failing to take effect finally, this Scheme shall become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred 'inter se' by the parties or their shareholders or creditors or employees or any other person.

In the event of non-fulfillment of any or all obligations under the Scheme by one Company towards the other Company, 'inter se' or to third parties and non-performance of which will put the other Company under any obligation, then such company shall indemnify all costs, interest etc., to the other company.

* * *

Scheme of Arrangement

M/s. SuryaLakshmi Cotton Mills Limited

Registered Office at 6th Floor, Surya Towers,
105, S.P. Road, Secunderabad-500 003.

ATTENDANCE SLIP

Name & Address of the Shareholder:

DP. Id.....

Client Id.....

Regd. Folio No.....

No. of Shares held.....

I/We certify that I/We am/are registered shareholder/Proxy for the registered shareholder of the Company. I/We hereby record my/our presence at the meeting of the Equity Shareholders of the Company to be held at PADMASHALI KALYANA MANDAPAM, 2-12-66, NEHRU NAGAR, WEST MARREDPALLY, SECUNDERABAD-26, on Thursday the 20th January, 2005 at 11.30 A.M.

Member's/Proxy's name in

Block Letters

Member's/Proxy's Signature

Note : Please fill in this attendance slip and hand it over at the ENTRANCE OF THE HALL.

Scheme of Arrangement

IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH:
AT HYDERABAD
(ORIGINAL JURISDICTION)

COMPANY APPLICATION No. 2421 OF 2004

In the matter of the Companies Act, 1956 (1 of 1956)
and
In the matter of Sections 391 and 394 of the said Act
and
In the matter of M/s. Suryalakshmi Cotton Mills Limited
and
In the matter of M/s. Rajvir Industries Limited
and
Their Respective Shareholders

M/s. Suryalakshmi Cotton Mills Limited,
a Company incorporated under the
Companies Act, 1956 having its
Registered Office at Surya Towers,
6th Floor, 105, Sardar Patel Road,
Secunderabad-500 003., represented by its
Chairman and Managing Director
Sri L. N. Agarwal.

...Transferor/
(Applicant Company)

FORM OF PROXY

I/We, the undersigned Equity Shareholder/s of the above Company hereby appoint Mr./Mrs.....as my/our Proxy, to act for me/our at the Meeting of the Equity Shareholders to be held at PADMASHALI KALYANA MANDAPAM, 2-12-66, NEHRU NAGAR, WEST MARREDPALLY, SECUNDERABAD-26, on Thursday the 20th January, 2005 at 11.30 A.M., for the purpose of considering and if thought fit, approving with or without modification(s), the proposed Scheme of Arrangement and at such meeting and any adjournment thereof, to vote, for me/us and in my/our name.....(herein if for insert 'for', if against, insert 'against') the said Scheme of Arrangement between M/s.Suryalakshmi Cotton Mills Limited and M/s. Rajvir Industries Limited and their Respective Shareholders either with or without modification(s) as my/our Proxy my approve.

Date thisday of January, 2005.

Signature :

Name :

Address :

Folio No. DPID
 Client ID

No. of shares held:

Affix 30
paise
revenue
stamp

(Strike whichever is not applicable).

Note:1. All alterations made in the form of proxy should be initialled.

2. Proxy in order to be effective to be deposited at the registered office of the company at 6th floor, Surya Towers, 105, S.P. Road, Secunderabad - 500 003 not later than 48 hours before the meeting.