

**SCHEME OF ARRANGEMENT**

**BETWEEN**

**GEM PAINTS PRIVATE LIMITED**

**AND**

**ESHA PAINTS PRIVATE LIMITED**

**AND**

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

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**UNDER SECTION 230 TO 232 READ WITH SECTION 66 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND THE RULES FRAMED THEREUNDER**

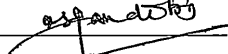
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**I. PREAMBLE**

- A. This Scheme of Arrangement is entered into between Gem Paints Private Limited ("GPPL" or the "Demerged Company") and Esha Paints Private Limited ("EPPL" or the "Resulting Company") and their respective shareholders and creditors ("Scheme", as more particularly defined below), and presented under Sections 230 to 232 read with Section 66 and other applicable provisions of the of the Companies Act, 2013 read with Section 2(19AA) and other applicable provisions of the Income Tax Act, 1961.
- B. The Scheme provides for the following:
- a. the transfer by way of demerger of the Demerged Undertaking (more particularly defined hereinafter) of the Demerged Company to the Resulting Company, and the consequent issue of equity shares by the Resulting Company to the shareholders of the Demerged Company in accordance with Clause 15 below;
  - b. reduction of share capital of the Resulting Company in the manner set out in Clause 16 of the Scheme; and
  - c. other matters consequential or otherwise integrally connected therewith.

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## II. DESCRIPTION OF THE COMPANIES

### A. GPPL

The Demerged Company was incorporated as a private limited company on January 24, 1980 under the provisions of the Companies Act, 1956 in the State of Karnataka. The Corporate Identification Number of GPPL is U24220KA1980PTC003715. The Registered Office of GPPL is situated at 417/418, 11<sup>th</sup> Cross, 4<sup>th</sup> Phase, Peenya Industrial Area, Bangalore, Karnataka – 560 058.

- i. The Demerged Company has two (2) business verticals:
  - a. **Demerged Undertaking or Paints Business Undertaking:** includes manufacturing, selling and distribution of Paints, Varnishes, Coatings and products related to home décor, industrial paints etc.
  - b. **Remaining Business Undertaking:** *inter-alia* consists of activities related to owning, maintaining, leasing of immovable properties and other investments including treasury.

### B. EPPL

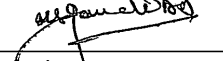
The Resulting Company is a private limited company incorporated on April 20, 2022 under the provisions of the Companies Act, 2013 in the State of Karnataka. The Corporate Identification Number of EPPL is U24222KA2022PTC160270. The Registered Office of the Resulting Company is situated at 417/418, 11<sup>th</sup> Cross, 4<sup>th</sup> Phase, Peenya Industrial Area, Bangalore, Karnataka – 560 058.

The Resulting Company was incorporated to carry on the business of manufacturing, selling and distribution of Paints, Varnishes, coatings and products related to home decor, industrial paints and providing related services. Resulting Company is a wholly owned subsidiary of GPPL.

## III. BACKGROUND AND RATIONALE FOR THE SCHEME

The Demerged Company is *inter-alia* engaged in two business verticals, namely the Paints Business Undertaking and the Remaining Business Undertaking. The nature of risks, returns, growth and competition involved in each such undertaking are distinct and requires attribution of dissimilar technical and managerial focus. In addition, the Paints Business Undertaking is capable of attracting a different set of investors, lenders and other stakeholders. Segregation of the Paint Business Undertaking from the Remaining Business Undertaking would allow the

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management to effectively and efficiently cater to the independent growth plans (both through organic and inorganic means), by enabling access to availability of increased resources. Accordingly, through this Scheme the Paint Business Undertaking is proposed to be demerged into separate company i.e. the Resulting Company. Post the demerger, the majority equity shares (constituting at least 51% of equity share capital of the Resulting Company) will be acquired by Astral Limited ("Astral") for which it has already entered into a definitive share purchase agreement dated 29<sup>th</sup> April, 2022.

Further, the proposed demerger would also result in the following benefits:

- a) The demerger would facilitate focused growth, operational efficiencies, business synergies and increased operational and customer focus in relation to the Paints Business Undertaking.
- b) Each business would be able to address independent business opportunities, pursue efficient capital allocation and attract different sets of investors, strategic partners, lenders and other stakeholders.
- c) The transfer and vesting of Paints Business Undertaking into the Resulting Company, by way of a demerger, would facilitate focused management attention, provide leadership vision, facilitate efficiency in operations due to individual specialization, provide greater leveraging due to financial independence and facilitate strategic / financial investment.
- d) The demerger will enhance value for shareholders and allow a focused strategy in operation of the respective business verticals which would be in the best interest of the Demerged Company and the Resulting Company, shareholders, creditors and all persons connected therewith.
- e) This Scheme is in the interest and benefit of shareholders, creditors and there is no likelihood that any shareholder or creditor of GPPL and EPPL would be prejudiced as a result of this Scheme.

Accordingly, the Board of Directors of the Demerged Company and the Resulting Company have formulated this Scheme of Arrangement.

#### IV. PARTS OF THE SCHEME

This Scheme is divided into the following parts:

Part I : deals *inter-alia* with Definitions and Interpretation and Share Capital;

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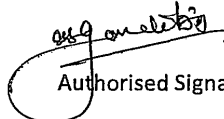
  
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- Part II** : deals with the transfer and vesting of the Demerged Undertaking or Paints Business Undertaking into the Resulting Company;
- Part III** : deals with the consideration for demerger of the Demerged Undertaking and the respective accounting treatment; and
- Part IV** : deals with general terms and conditions that are applicable to this Scheme.

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## PART I

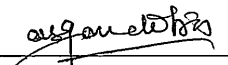
## DEFINITIONS, INTERPRETATION AND SHARE CAPITAL

## 1. DEFINITIONS

In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the meanings respectively assigned against them:

- (a) "Act" or "the Act" means the Companies Act, 2013, the rules, regulations, circulars, guidelines issued thereunder, as amended from time to time and shall, include any statutory modification or re-enactment thereof, for the time being in force;
- (b) "Accounting Standards" means the Indian Accounting Standards as notified under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and the other accounting principles generally accepted in India;
- (c) "Applicable Laws" means any statute, notifications, bye laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or instructions having the force of law enacted or issued by any appropriate authority including any statutory modification or re-enactment thereof for the time being in force;
- (d) "Appointed Date" means the April 1, 2022 (opening business hours) or such other date as may be decided or approved by the Tribunal (as defined below);
- (e) "Board of Directors" or "Board" means Board of Directors of the Demerged Company (as defined hereinafter) or the Resulting Company (as defined hereinafter) or both as the context may require and shall include a committee duly constituted and authorized thereby for the purpose of matters pertaining to this Scheme and/ or any other consequential or incidental matter in relation thereto;
- (f) "Central Government" means the Regional Director, Hyderabad, South East Region, in the Ministry of Corporate Affairs, Government of India;
- (g) "Demerged Company" or "GPPL" means Gem Paints Private Limited, a company incorporated under the provisions of the Act on January 24, 1980 (CIN No. U24220KA1980PTC003715) and having its Registered Office at 417/418, 11<sup>th</sup> Cross, 4<sup>th</sup> Phase, Peenya Industrial Area, Bangalore, Karnataka – 560 058;
- (h) "Demerged Undertaking" or "Paint Business Undertaking" means and includes, but not limited to, manufacturing, selling and distribution of Paints, Varnishes, coatings and

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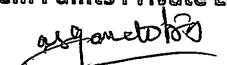
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products related to home decor, industrial paints and providing related services, on a going concern basis, and shall mean and include, without limitation, the following:

- i. all properties and assets, whether moveable or immovable, including all rights (whether freehold, leasehold or license), title, interest, cash and bank balances, bills of exchange, covenant and undertakings of the Demerged Company pertaining to Paint Business Undertaking.
- ii. all assets (whether moveable or immovable, real or personal, corporeal or incorporeal, in possession, or in reversion, leasehold or otherwise, present, future, contingent, tangible or intangible), investments of the Demerged Company pertaining to Paint Business Undertaking including but not limited to the plant and machinery, capital work in progress, furniture, fixtures, office equipment, appliances, accessories, vehicles, all stocks, sundry debtors, deposits including deposits or outstanding in litigations or paid under protest, provisions, advances, receivables, funds, leases, licenses, tenancy rights, premises, hire purchase and lease arrangements including benefits of agreements, contracts and arrangements, powers, authorities, industrial and other licenses, registrations, quotas, permits, allotments, approvals, consents, privileges, liberties, advantages, easements and all the rights, title, interests, benefits, entitlement and advantages, contingent rights or benefits belonging to or in the ownership, power, possession or the control of or vested into or granted in favor of or held for the benefit of or enjoyed by the Demerged Company pertaining to the Paint Business Undertaking.
- iii. All debts, borrowings, obligations, including Optionally Convertible Debentures (as defined hereinafter), deposits received from employee, taxes, duties and liabilities both present and future (including contingent liabilities and the liabilities and obligations under any licenses or permits or schemes) of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized, whether secured or unsecured, whether in rupees or foreign currency, relating to the Paint Business Undertaking of the Demerged Company;
  - o Liabilities in connection with or pertaining or relatable to the Demerged Undertaking of every kind, nature and description;
  - o Specific loans and borrowings including Optionally Convertible Debentures (as defined hereinafter) raised, incurred and utilized solely for the activities or operations of the Demerged Undertaking;
  - o Liabilities other than those referred to above, being the amounts of general or multipurpose borrowings, if any, of GPPL, as stand in the same proportion

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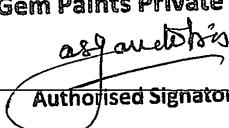
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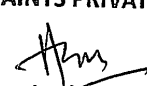
which the value of the assets transferred with the Demerged Undertaking bears to the total value of the assets of GPPL immediately prior to the Appointed Date

- iv. All entitlements, licenses, permissions, approvals, clearances, authorizations, consents, brands (whether registered or not as listed in Schedule I of this Scheme), trademarks, copyrights, patents, other intellectual property rights registrations and no-objection certificates obtained by Demerged Company for the operations of the Paint Business Undertaking and/or to which Demerged Company is entitled to in relation to the Paint Business Undertaking in terms of the various statutes/ schemes/ policies, etc. of the Overseas, Union and State Governments, local authorities, local bodies and other statutory authorities and bodies, 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 favor of the Resulting Company. Since the Paint Business Undertaking will be transferred to and vested in the Resulting Company as a going concern without any 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, authorizations, consents, intellectual property rights, registrations and no-objection certificates as enjoyed by the Demerged Company and to carry on and continue the operations of the Paint Business Undertaking on the basis of the same upon this Scheme becoming effective;
- v. all books, records, files, papers, engineering and process information, computer programmes, software licenses (whether proprietary or otherwise), drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records whether in physical or electronic form in connection with or relating to Paint Business Undertaking;
- vi. All tax credits, including cenvat credits, refunds, reimbursements, claims, exemptions, benefits under service tax laws, Value Added Tax (VAT), Goods and Service Tax (GST), sales tax or any other duty or tax or cess or imposts under any Central or State law including tax deducted at source, right to carry forward and set-off unabsorbed losses, and un-absorbed depreciation, minimum alternate tax credits, if any and exemptions, deductions, benefits and incentives under the Income Tax Act (as defined hereinafter) laws, in each case, belonging to, or forming part of, or relating, pertaining or attributable in any manner to the Paint Business Undertaking of the Demerged Company.
- vii. all employees employed by the Demerged Company pertaining to the Paint Business Undertaking, as identified by the Board of Directors of the Demerged Company, as on the Effective Date;

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- viii. all earnest monies, security deposits, or other entitlements, if any, in connection with or relating to the Demerged Company pertaining to Paint Business Undertaking;
- ix. all legal proceedings of whatsoever nature by or against GPPL pending on the Appointed Date and relating solely to the Paint Business Undertaking;
- x. any and all memberships and registrations of the Demerged Company in relation to and pertaining to the Paints Business Undertaking; and
- xi. entire experience, credentials, past record and market share of the Demerged Company pertaining to the Paints Business Undertaking.

All rights, benefits and other interest, whether held in trust or otherwise, contracts, agreements, powers, engagements, arrangements of all kind, privileges and all other rights including title, interests, other benefits (including tax benefits), easements, privileges, liberties and advantages of whatsoever nature and where so ever situate belonging to or in the ownership, possession, power or custody of or in the control of or vested in or granted in favor of or enjoyed by the Demerged Company, whether in India or abroad, all pertaining to or relatable to the Paint Business Undertaking of the Demerged Company.

It is intended that the definition of the "Demerged Undertaking" or the "Paint Business Undertaking" under this clause would enable the transfer of all property, assets, rights, duties, employees and liabilities of Demerged Company pertaining exclusively to the Paint Business Undertaking to Resulting Company pursuant to this Scheme.

Any question that may arise as to whether a specified asset, benefit or liability, contract or obligation pertains to or does not pertain to the Paint Business Undertaking or whether it arises out of the activities or operations of the Paint Business Undertaking shall be decided by the Board of Directors of the Demerged Company and the Resulting Company or any committee thereof by mutual agreement.

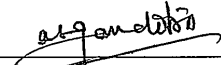
It is clarified that the Demerged Undertaking shall not include any employees, assets (whether movable or immovable), liabilities, rights, and obligations belonging to and forming part of the Remaining Business Undertaking.

- (i) **"Effective Date"** means the date on which the Scheme shall become effective pursuant to Clause 20 of Part IV of this Scheme. Any references in this Scheme to the date of "Scheme becoming effective" or "coming into effect of this Scheme" or "effectiveness of the Scheme" or "Scheme taking effect" shall mean the Effective Date;
- (j) **"INR"** means Indian Rupees;

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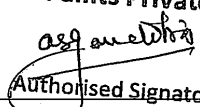
  
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- (k) **"Income Tax Act"** shall mean the Income Tax Act, 1961 and shall include any statutory modification, re-enactment thereof or amendments thereto for time to time and the rules and regulations made thereunder;
- (l) **"MoA"** shall mean the Memorandum of Association;
- (m) **"Tribunal" or "NCLT"** means the National Company Law Tribunal bench at Bengaluru as constituted and authorized as per the provisions of the Act for approving any scheme of arrangement, compromise or reconstruction of companies under Section 230-232 read with Section 66 of the Act;
- (n) **Optionally Convertible Debentures or "OCDs"** means 19,400 (Nineteen Thousand Four Hundred) unsecured, cumulative and optionally convertible debentures having a face value INR 1,00,000 (Indian Rupees One Lakh only) each to be issued by the Demerged Company to Astral Limited (**"Investor"**) as per the terms and conditions laid out in the Debenture Subscription Agreement dated April 29, 2022;
- (o) **"Record Date(s)"** means the date(s) to be fixed by the Board of Directors of the Demerged Company in consultation with the Board of Directors of the Resulting Company for the purpose of determining the shareholders of the Demerged Company, who shall be entitled to receive equity shares of the Resulting Company;
- (p) **"Registrar of Companies" or "ROC"** means the Registrar of Companies, Bangalore at Karnataka;
- (q) **"Remaining Business Undertaking"** means all the undertakings, businesses, operations and activities, including all the assets and liabilities of the Demerged Company, excluding the Demerged Undertaking, retained by the Demerged Company.;
- (r) **"Resulting Company" or "EPPL"** means Esha Paints Private Limited, a company incorporated under the provisions of Companies Act, 2013 on April 20, 2022 (CIN No. U24222KA2022PTC160270) having its registered office at 417/418, 11th Cross, 4th Phase, Peenya Industrial Area, Bangalore, Karnataka – 560 058.
- (s) **"Scheme of Arrangement" or "this Scheme" or "the Scheme"** shall mean this Scheme of Arrangement in its present form and with such modifications and amendments as may be made from time to time with the appropriate approvals and sanctions of the NCLT and other relevant regulatory/ statutory/ governmental authorities, as may be required under the Act, and/ or any other applicable laws.

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## 2. INTERPRETATIONS

- 2.1. All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act and other applicable laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.
- 2.2. Reference to Clauses, recitals and schedules, unless otherwise provided, are to Clauses, recitals and schedules of and to this Scheme. The singular shall include the plural and vice versa.
- 2.3. The headings and sub-headings are for information only and shall not affect the construction of this Scheme.
- 2.4. Any phrase introduced by the terms "including"; "include" or any similar expression shall be construed as illustrative and shall not limit the sense of words preceding those terms.

## 3. DATE OF COMING INTO EFFECT

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the Tribunal and/ or other relevant regulatory/ statutory/ governmental authorities, shall be effective from the Appointed Date, but shall be operative from the Effective Date.

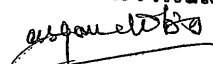
## 4. SHARE CAPITAL

- 4.1. The share capital of the Demerged Company as on April 30, 2022 is as under:

Share Capital	Amount (in INR)
<b>Authorized share capital</b>	
25,00,000 equity shares of INR 100 each	25,00,00,000
<b>TOTAL</b>	<b>25,00,00,000</b>
<b>Issued, subscribed and paid-up share capital</b>	
14,99,475 equity shares of INR 100 each	14,99,47,500
<b>TOTAL</b>	<b>14,99,47,500</b>

Subsequent to April 30, 2022 and as on June 20, 2022 i.e., the date of the Board meeting in which the Scheme is approved by the Board of the Demerged Company, there has been no change in the authorized, issued, subscribed and paid-up equity share capital of the Demerged Company.

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- 4.2. The share capital of the Resulting Company as on April 30, 2022 is as under:

Share Capital	Amount (in INR)
<b>Authorized share capital</b>	
1,00,000 equity shares of INR 10 each	10,00,000
<b>TOTAL</b>	<b>10,00,000</b>
<b>Issued, subscribed and paid-up share capital</b>	
10,000 equity shares of INR 10 each	1,00,000
<b>TOTAL</b>	<b>1,00,000</b>

Subsequent to April 30, 2022 and as on June 20, 2022 i.e., the date of the Board meeting in which the Scheme is approved by the Board of the Resulting Company, there has been no change in the authorized, issued, subscribed and paid up equity share capital of the Resulting Company.

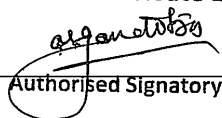
The Resulting Company is, at present a wholly owned subsidiary of the Demerged Company

## 5. COMPLIANCE WITH THE TAX LAWS

- 5.1. The demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company shall comply with the provisions of Section 2(19AA) of the Income Tax Act such that:

- a) all the assets and properties of the Demerged Undertaking being transferred by the Demerged Company, immediately before the demerger shall become the properties of the Resulting Company, by virtue of the demerger;
- b) all the liabilities (including general or multi-purpose borrowings allocable as per methodology prescribed under Section 2(19AA) of the Income Tax Act) relating to the Demerged Undertaking being transferred by the Demerged Company, immediately before the demerger shall become the liabilities of the Resulting Company, by virtue of the demerger;
- c) the properties and liabilities relating to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company at the values appearing in the books of accounts of the Demerged Company immediately before the demerger;
- d) Resulting Company shall issue, in consideration of the demerger, shares to the shareholders of the Demerged Company on a proportionate basis;

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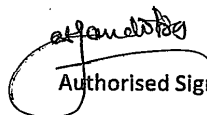
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- e) Shareholders holding at least 75% value of shares of the Demerged Company shall become the shareholders of the Resulting Company by virtue of the demerger, otherwise than as a result of the acquisition of the property or assets of the Demerged Company or any undertaking thereof by Demerged Company; and
- f) The transfer of the Demerged Undertaking will be on a going concern basis.

Further, this Scheme complies with the conditions relating to "Demerger" as specified under Section 2(19AA), Section 47, Section 72A and other relevant sections and provisions of the Income Tax Act and is intended to apply accordingly. If any terms or clauses or provisions of the Scheme is / are found to be or interpreted to be inconsistent with any of the said provisions (including the conditions set out therein) at a later date whether as a result of a new enactment or any amendment or coming into force of any provision of the Income Tax Act or any other law or any judicial or executive interpretation or for any other reasons whatsoever, the provisions of the said sections of the Income Tax Act shall prevail and the Scheme to stand modified to the extent necessary to comply with said sections of the Income Tax Act. Such modification will however not affect other parts of the Scheme

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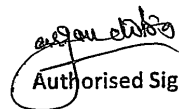
## PART II

TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING FROM THE DEMERGED  
COMPANY INTO THE RESULTING COMPANY

## 6. TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING

- 6.1. With effect from the Appointed Date and upon the Scheme becoming effective, the Demerged Undertaking of the Demerged Company shall, under the provisions of Section 230 to 232 and all other applicable provisions, if any, of the Act and Section 2(19AA) of the Income Tax Act, without any further act, instrument or deed, subject to regulatory approvals (if any), be transferred to and stand vested in, and/ or be deemed to be transferred to and vested in, the Resulting Company as a going concern so as to become, as and from the Appointed Date, the undertaking of the Resulting Company by virtue of and in the manner provided in this Scheme.
- 6.2. Any and all assets relating to the Demerged Undertaking, as are movable in nature or are otherwise capable of transfer by delivery of possession or by endorsement and delivery, the same shall be so transferred by the Demerged Company, upon the coming into effect of the Scheme, and shall become the property of the Resulting Company as an integral part of the Demerged Undertaking with effect from the Appointed Date, pursuant to the provisions of Section 230 to 232 of the Act without requiring any deed or instrument of conveyance for transfer of the same, subject to the provisions of this Scheme in relation to encumbrances in favor of banks and/ or financial institutions.
- 6.3. Any and all movable properties of the Demerged Company relating to the Demerged Undertaking, other than those specified in Clause 6.2 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons, the same shall on and from the Appointed Date stand transferred to and vested in the Resulting Company without any notice or other intimation to the debtors (although the Resulting Company may without being obliged and if it so deems appropriate at its sole discretion, give notice in such form as it may deem fit and proper, to each person, debtor, or depositor, as the case may be, that the said debt, loan, advance, balance or deposit stands transferred and vested in the Resulting Company).
- 6.4. Without prejudice to the generality of the foregoing, all assets, estate, rights, title, interest investments and authorities held by the Demerged Company on the Appointed Date as regards the Demerged Undertaking, not otherwise specified in Clause 6.2 and Clause 6.3 above, shall also, without any further act, instrument or deed stand transferred

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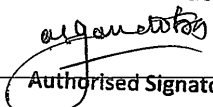
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to and vest in the Resulting Company upon the coming into effect of this Scheme pursuant to the provisions of Sections 230 to 232 of the Act.

- 6.5. The immovable properties (if any) pertaining to Demerged Undertaking shall stand transferred to the Resulting Company automatically without requirement of execution of any further documents for registering the name of the Resulting Company as owner thereof and the regulatory authorities may rely on the Scheme along with the copy of the order passed by the NCLT, to make necessary mutation entries and changes in the land or revenue records to reflect the name of the Resulting Company as owner of the immovable properties. For the purpose of vesting of immovable properties to the Resulting Company, the Demerged Company is hereby empowered/ authorized to execute any documents/ enter into any arrangements for and on behalf of the Resulting Company.
- 6.6. With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions, registrations or approvals or consents held by the Demerged Company required to carry on operations in the Demerged Undertaking shall stand vested in or transferred to the Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favor of the Resulting Company. The benefit of all statutory and regulatory permissions and consents, registration or other licenses, and consents shall vest in and become available to the Resulting Company pursuant to the Scheme. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges, if any, enjoyed, granted by any Government body, local authority or by any other person, or availed of by the Demerged Company relating to the Demerged Undertaking, are concerned, the same shall vest with and be available to the Resulting Company on the same terms and conditions.
- 6.7. All the brands, trademarks of the Demerged Undertaking including registered and unregistered trademarks along with all the rights of commercial nature including attached title, goodwill, interest, labels and brand registrations, copyrights, and all other intellectual property rights of whatsoever nature shall stand transferred to the Resulting Company by operation of law. The Resulting Company shall take such actions as may be necessary and permissible to get the same transferred and/ or registered in the name of Resulting Company.
- 6.8. Without prejudice to Clauses 6.6 and 6.7 of this Scheme, with effect from the Effective Date, the Resulting Company shall commence and carry on and shall be authorized to carry on the businesses carried on by the Demerged Undertaking. For this purpose, the Resulting Company and/ or the Demerged Company shall apply for transition of all licenses, registrations, approvals, consents, permits, and quotas of or relating to the

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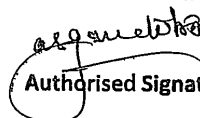
Demerged Undertaking, including but not limited to registrations, licences, etc., required for the business.

- 6.9. The transfer and vesting of the Demerged Undertaking as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances, if any, subsisting over or in respect of the property and assets or any part thereof relating to the Demerged Undertaking to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Demerged Undertaking.
- 6.10. In relation to other assets belonging to the Demerged Undertaking, which require separate documents for vesting in the Resulting Company, or which the Demerged Company and/ or the Resulting Company otherwise desire to be vested separately, the Demerged Company and the Resulting Company each will execute such deeds, documents or such other instruments or writings or create evidence, if any, as may be necessary.
- 6.11. Any assets acquired by the Demerged Company after the Appointed Date but prior to the Effective Date pertaining to the Demerged Undertaking shall upon the coming into effect of this Scheme also without any further act, instrument or deed stand transferred to and vested in or be deemed to have been transferred to or vested in the Resulting Company upon the coming into effect of this Scheme.

## 7. TRANSFER OF DEBTS AND LIABILITIES

- 7.1. With effect from the Appointed Date and upon the Scheme becoming effective all debts (including additional debts i.e. Optionally Convertible Debentures and others drawn post the Appointed Date), liabilities, contingent liabilities, duties and obligations of every kind, nature and description, if any, attributable to the Demerged Undertaking ("**Demerged Undertaking Liabilities**") shall, without any further act or deed, be transferred to, or be deemed to be transferred to the Resulting Company so as to become from the Appointed Date, the debts, liabilities, contingent liabilities, duties and obligations, if any, of the Resulting Company and the Resulting Company undertakes to meet, discharge and satisfy the same. It is hereby clarified that it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen, in order to give effect to the provisions of this Clause (although the Resulting Company may without being obliged and if it so deems appropriate at its sole discretion, give notice in such form as it may deem fit and proper, to each person, or depositor, as the case may be, that the said debt, loan, advance, balance or deposit stands transferred and vested in the Resulting Company).

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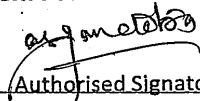
  
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- 7.2. Where any of the liabilities and obligations relating to the Demerged Undertaking, as on the Appointed Date, deemed to be transferred to the Resulting Company have been discharged by the Demerged Company after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Resulting Company, and all liabilities and obligations incurred by the Demerged Company forming part of the Demerged Undertaking after the Appointed Date and prior to the Effective Date, shall also without any further act or deed be and stand transferred to the Resulting Company and shall become the liabilities and obligations of the Resulting Company which shall meet, discharge and satisfy the same to the exclusion of the Demerged Company.
- 7.3. Without prejudice to the foregoing provisions of this Clause, upon the coming into effect of the Scheme, the OCDs shall pursuant to provisions of Section 230-232 of the Act, without any further act, instrument or deed and notwithstanding Sections 42, 62, 71 and other provisions of the Act, become OCDs of the Resulting Company on the same terms and conditions as mentioned in **Schedule II** and all rights, powers, duties and obligations in relation thereto shall be and stand transferred to and vested in and/or be deemed to have been transferred to and vested in and shall be exercised by or against the Resulting Company as if it were the issuer of such OCDs, so transferred and vested. The Resulting Company shall execute appropriate documents as may be required under the Applicable Law for the issuance and allotment of the optionally-convertible debentures in lieu of the OCDs to the holders of OCDs. Upon such issuance and allotment, the OCDs shall stand extinguished and cancelled.
- 7.4. In so far as the existing encumbrances, if any, in respect of the Demerged Undertaking Liabilities are concerned, such encumbrances shall, without any further act, instrument or deed be modified and shall be extended to and shall operate only over the assets comprised in the Demerged Undertaking which has been encumbered in respect of the Demerged Undertaking Liabilities as transferred to the Resulting Company pursuant to this Scheme. Provided that if any of the assets comprised in the Demerged Undertaking which are being transferred to the Resulting Company pursuant to this Scheme have not been encumbered in respect of the Demerged Undertaking Liabilities, such assets shall remain unencumbered and the existing encumbrances referred to above shall not be extended to and shall not operate over such assets. The absence of any formal amendment which may be required by a lender or trustee or third party shall not affect the operation of the above.
- 7.5. For the avoidance of doubt, it is hereby clarified that in so far as the assets comprising the Remaining Business Undertaking are concerned, subject to Clause 7.4, the encumbrances, if any, over such assets relating to the Demerged Undertaking Liabilities shall, as and from the Effective Date without any further act, instrument or deed be released and discharged from the obligations and encumbrances relating to the same. The absence of any formal amendment which may be required by a lender or trustee or third party shall not affect

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the operation of the above. Further, in so far as the assets comprised in the Demerged Undertaking is concerned, the encumbrances over such assets relating to any loans, borrowings or other debts or debt securities which are not transferred pursuant to this Scheme (and which shall continue with the Demerged Company), shall without any further act or deed be released from such encumbrances and shall no longer be available as security in relation to such liabilities.

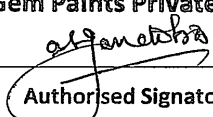
- 7.6. Without prejudice to the provisions of the foregoing clauses and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company shall execute any instrument(s) and/ or document(s) and/ or do all the acts and deeds as may be required, including the filing of necessary particulars and/ or modification(s) of charge, with the Registrar of Companies to give formal effect to the above provisions, if required.
- 7.7. The provisions of this Clause 7 shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document, all of which instruments, deeds or writings shall stand modified and/ or superseded by the foregoing provisions.
- 7.8. On and from the Effective Date and till such time that the name of the bank accounts of the Demerged Company, in relation to or in connection with the Demerged Undertaking, have been replaced with that of the Resulting Company, the Resulting Company shall be entitled to maintain and operate the bank accounts of the Demerged Company pertaining to the Demerged Undertaking, in the name of the Demerged Company for such time as may be determined to be necessary by the Resulting Company. All cheques and negotiable instruments, payment orders received or presented for encashment which are in the name of the Demerged Company, in relation or in connection with the Demerged Undertaking, after the Effective Date shall be accepted by the bankers of the Resulting Company and credited to the account of the Resulting Company, if presented by the Resulting Company.

## 8. LEGAL PROCEEDINGS

- 8.1. Upon the Scheme becoming effective, all legal or other proceedings of whatsoever nature, whether in relation to tax liabilities or otherwise, by or against by or against the Demerged Company in relation to the Demerged Undertaking, under any statute, pending as on the Appointed Date, shall be continued and enforced by or against the Resulting Company after the Effective Date.
- 8.2. The Resulting Company undertakes to have all legal or other proceedings initiated by or against the Demerged Company referred to in Clause 8.1 above transferred into its name and to have the same continued, prosecuted and enforced by or against the Resulting

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Company to the exclusion of the Demerged Company to the extent legally permissible after the Scheme being effective. To the extent such proceedings cannot be taken over by the Resulting Company, the proceedings shall be pursued by the Demerged Company for and on behalf of the Resulting Company as per the instructions of and entirely at the cost and expenses of the Resulting Company.

8.3. If any legal or other proceedings of whatsoever nature, whether in relation to tax liabilities or otherwise are taken against the Demerged Company after the Appointed Date in respect of the matters which are in relation to the Demerged Business Undertaking and therefore the responsibility of EPPL, GPPL shall defend the same in accordance with the advice of EPPL, and at the cost of EPPL, and EPPL shall reimburse and indemnify GPPL against all liabilities and obligations incurred by GPPL in respect thereof.

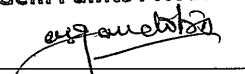
**9. EMPLOYEES**

9.1. On the Scheme becoming operative, all staff and employees of the Demerged Company pertaining to the Demerged Undertaking in service on the Effective Date shall be deemed to have become staff and employees of the Resulting Company without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with the Resulting Company shall not be less favorable than those applicable to them with reference to their employment in the Demerged Company.

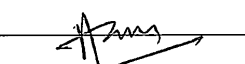
9.2. The Resulting Company further agrees that for the purpose of provident fund or superannuation or payment of any other retirement or termination benefit / compensation, or other statutory purposes, the services of such employees will be reckoned from the date of their respective appointments with Demerged Company. Any question that may arise as to whether any employee belongs to or does not belong to the Demerged Undertaking shall be decided jointly by the Boards of Directors of Demerged Company and Resulting Company.

9.3. The accumulated funds standing to the credit of the employees whose services are transferred under Clause 9.1 above, relating to superannuation, provident fund and gratuity fund or any other statutory or special fund or trusts created or existing for the benefit of the employees of Demerged Company engaged in or in relation to the Demerged Undertaking shall be identified, determined and transferred to such provident fund, superannuation fund and other funds nominated by the trusts / funds of the Resulting Company or other funds to be established and caused to be recognized by the concerned authorities by Resulting Company, and such employees shall be deemed to have become members of such trusts/ funds of Resulting Company on the same terms and conditions as applicable to the funds of the Demerged Company in relation to the said employees. On and from the Effective Date, with effect from the Appointed Date, and subject to getting the Scheme approved by the relevant authorities, Resulting

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Company shall make the necessary contributions for such employees in relation to the funds. It is clarified that the services of the employees of Demerged Company engaged in or in relation to the Demerged Undertaking of Demerged Company shall be treated as having been continuous without any break, discontinuance or interruption for the purpose of the said funds.

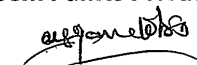
- 9.4. It is the aim and intent of this Scheme that all the rights, duties, powers and obligations of the Demerged Undertaking in relation to such funds shall become those of Resulting Company.
- 9.5. Notwithstanding anything contained in this Clause, the Board of Directors of the Resulting Company in consultation with the Board of Directors of the Demerged Company, may devise and finalize suitable alternate mechanics for effecting transfer of employees and employee related benefits to the Resulting Company, with an overarching principle that the interests of the employees in terms of continuity (as envisaged under Clause 9.1 are protected).

**10. CONTRACTS, DEEDS, ETC.**

- 10.1. Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance, letters of intent, undertakings, arrangements, policies, agreements and other instruments, if any, of whatsoever nature pertaining to Demerged Undertaking to which the Demerged Company is a party and which is subsisting or having effect on the Appointed Date, shall be in full force and effect against or in favor of the Resulting Company and may be enforced by or against the Resulting Company as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party thereto.
- 10.2. Without prejudice to the other provisions of this Scheme and notwithstanding the fact that all vesting and transfer of Demerged Undertaking occurs by virtue of this Scheme itself, the Resulting Company may, at any time after coming into effect of this Scheme, enter into and/ or issue and/ or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which the Demerged Company will, if necessary, also be party in order to give formal effect to the provisions of this Scheme. The Resulting Company shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of the Demerged Company for the Demerged Undertaking and to implement or carry out all formalities required to give effect to the provisions of this Scheme.
- 10.3. Any contracts, deeds, bonds agreements, schemes, arrangements and other instruments of whatsoever nature pertaining to the Demerged Undertaking to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible or

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for the obligations of which the Demerged Company may be liable, entered by the Demerged Company after the Appointed Date but prior to the Effective Date pertaining to the its Demerged Undertaking shall upon the coming into effect of this Scheme also without any further act, instrument or deed shall, continue to be in force and effect on or against or in favor, as the case may be, of the Resulting Company and may be enforced fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party or beneficiary or obligee thereto.

#### 11. TREATMENT OF TAXES AND CONSEQUENTIAL MATTERS RELATING TO TAX

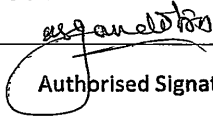
This Scheme complies with the conditions relating to "Demerger" as specified under Section 2(19AA), Section 47, Section 72A and other relevant sections and provisions of the Income Tax Act and is intended to apply accordingly. If any terms or clauses or provisions of the Scheme is / are found to be or interpreted to be inconsistent with any of the said provisions (including the conditions set out therein) at a later date whether as a result of a new enactment or any amendment or coming into force of any provision of the Income Tax Act or any other law or any judicial or executive interpretation or for any other reasons whatsoever, the provisions of the said sections of the Income Tax Act shall prevail and the Scheme to stand modified to the extent necessary to comply with said sections of the Income Tax Act. Such modification will however not affect other parts of the Scheme.

##### 11.1. Upon this Scheme becoming effective :

- a) To the extent required, the Demerged Company and the Resulting Company shall be permitted to revise and file their respective income tax returns along with the prescribed forms, filings and annexures under the Income Tax Act, withholding tax returns, sales tax, value added tax, service tax, central sale tax, entry tax, goods and services tax returns and any other tax returns: Such returns may be revised and filed notwithstanding that the statutory period for such revision and filing may have expired; and
- b) The Resulting Company shall be entitled to: (a) claim deduction with respect to items such as provisions expenses etc. disallowed in earlier years and pertaining to the Demerged Undertaking, which may be allowable in accordance with the provisions of the Income Tax Act on or after the Appointed Date and (b) exclude items such as provisions reversals, etc. pertaining to the Demerged Undertaking for which no deduction or Tax benefit has been claimed by the Demerged Company prior to the Appointed Date.

11.2. With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable by the Demerged Company relating to the Demerged Undertaking

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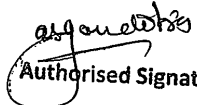
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including all advance tax payments, tax deducted at source or any refunds/ credit/ claims relating thereto shall, for all purposes, be treated as advance tax payments, tax deducted at source or refunds/ credit/ claims, as the case may be, of the Resulting Company, provided however that any direct and indirect taxes that cannot specifically be earmarked as the liability or refunds/ credit/ claims relating to the Demerged Undertaking shall continue to be borne by the Demerged Company. It is specifically provided that if the Demerged Company or their successor(s) receives any refunds/ credit/ claims or incurs any liability in respect of the Demerged Undertaking, the same shall be on behalf of and as a trustee of the Resulting Company and the same shall be refunded to/paid by the Resulting Company.

- 11.3. With effect from the Appointed Date and upon the Scheme becoming effective, all unavailed credits and exemptions, margin money, retention money, deposit with statutory authorities, other deposits and benefit of carried forward losses and other statutory benefits, including in respect of income tax (including MAT credit remaining after utilization of the same by the Demerged Company), cenvat, customs, VAT, sales tax, service tax, GST etc. relating to the Demerged Undertaking to which the Demerged Company is entitled to shall be available to and vest in the Resulting Company, without any further act or deed.
- 11.4. Upon this Scheme becoming effective, any Tax Deducted at Source (TDS) deposited, TDS certificates issued or TDS returns filed by the Demerged Company pertaining to the Demerged Undertaking shall continue to hold good as if such TDS amounts were deposited, TDS certificates were issued and TDS returns were filed by the Resulting Company and all deductions otherwise admissible to the Demerged Company pertaining to the Demerged Undertaking including payment admissible on actual payment or on deduction of appropriate taxes or on payment of tax deducted at source (such as Section 43B, Section 40, Section 40A etc. of the Income Tax Act) shall be eligible for deduction to the Resulting Company.
- 11.5. If the Demerged Company is entitled to any benefits under the incentive schemes and policies of the Income Tax Act concessions relating to the Demerged Undertaking under any tax laws or Applicable Laws, the Resulting Company shall be entitled as an integral part of the Scheme to claim such benefit or incentives or deductions as the case may be without any specific approval or permission.
- 11.6. The Board of Directors of the Demerged Company and Resulting Company shall be empowered to determine if any specific tax liability or any tax proceeding relates to the Demerged Undertaking and whether the same would be transferred to the Resulting Company.

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- 11.7. All the expenses incurred by the Demerged Company and the Resulting Company in relation to this Scheme, including stamp duty expenses, if any, shall be allowed as deduction to each of the Demerged Company and the Resulting Company in accordance with Section 35DD of the Income Tax Act.

**12. CONDUCT OF DEMERGED UNDERTAKING OF THE DEMERGED COMPANY TILL EFFECTIVE DATE**

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

- 12.1. The Demerged Company shall be deemed to have been carrying on and shall carry on its business and activities relating to the Demerged Undertaking as hitherto and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all its properties and assets pertaining to the Demerged Undertaking for and on account of and in trust for the Resulting Company.
- 12.2. The Demerged Company shall carry on and be deemed to have carried on its business and activities relating to the Demerged Undertaking with reasonable diligence, business prudence and shall not, except in the ordinary course of business and without prior written consent of the Resulting Company, alienate charge, mortgage, encumber or otherwise deal with or dispose of the Demerged Undertaking or part thereof.
- 12.3. The Demerged Company shall be entitled to use all entitlements, licenses, permissions, approvals, clearances, authorizations, consents, brands, trademarks, copyrights, patents, other intellectual property rights, registrations and no-objection certificates for the operations of the Demerged Undertaking or part thereof.
- 12.4. All the profits or income accruing or arising to the Demerged Company or expenditure or losses arising or incurred or suffered by the Demerged Company pertaining to the Demerged Undertaking shall for all purposes be treated and be deemed to be accrued as the income or profits or losses or expenditure as the case may be of the Resulting Company.
- 12.5. The Demerged Company shall not vary the terms and conditions of employment of any of the employees of the Demerged Company pertaining to the Demerged Undertaking except in the ordinary course of business and without the prior consent of the Resulting Company or pursuant to any pre-existing obligation undertaken by the Demerged Company, as the case may be, prior to the Appointed Date.
- 12.6. All loans raised and all liabilities and obligations incurred by the Demerged Company with respect to the Demerged Undertaking after the Appointed Date and prior to the Effective

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Date, shall subject to terms of the Scheme, be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent, they are outstanding as on the Effective Date, shall also, without any further act or deed be deemed to become debts, liabilities, duties and obligations of Resulting Company.

### 13. REMAINING BUSINESS UNDERTAKING

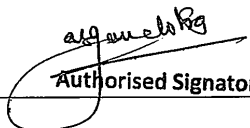
13.1. It is clarified that the Remaining Business Undertaking of the Demerged Company shall continue with the Demerged Company as follows:

- (a) The Remaining Business Undertaking of the Demerged Company and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Demerged Company.
- (b) All legal and other proceedings by or against the Demerged Company under any statute, whether pending and/ or arising on or before the Appointed Date and relating to the Remaining Business Undertaking of the Demerged Company (including those relating to any property, investments, right, power, liability, obligation or duty, of the Demerged Company in respect of the Remaining Business Undertaking) shall be continued and enforced by or against the Demerged Company.
- (c) With effect from the Appointed Date and including the Effective Date:
  - i. The Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining Business Undertaking for and on its own behalf.
  - ii. All income or profit accruing to the Demerged Company or expenditure or losses arising or incurred by it relating to the Remaining Business Undertaking are and shall for all purposes, be treated as the income or profit or expenditure or losses, as the case may be, of the Demerged Company.

### 14. SAVING OF CONCLUDED TRANSACTIONS

14.1. The transfer of the Demerged Undertaking from the Demerged Company to the Resulting Company under Clause 6 above and the continuance of proceedings by or against the Resulting Company under Clause 8 above and the effectiveness of contracts, deeds, bonds, approvals and other instruments under Clause 10 above shall not affect any transaction or proceedings already concluded by the Demerged Company on or before

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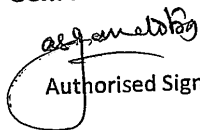
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the Appointed Date to the end and intent that the Resulting Company accepts and adopts all acts, deeds and things done and executed by the Demerged Company for the Demerged Undertaking in respect thereto as done and executed on behalf of itself.

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## PART III

## CONSIDERATION FOR DEMERGER AND ACCOUNTING TREATMENT

## 15. ISSUE OF SHARES

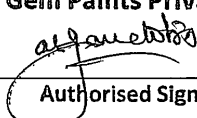
- 15.1. Upon this Scheme becoming effective and upon the demerger, transfer and vesting of the Demerged Undertaking of the Demerged Company in the Resulting Company, in terms of this Scheme, the Resulting Company shall, without any further application or deed, issue and allot equity shares credited as fully paid-up, to the extent indicated below, to the shareholders of the Demerged Company, holding fully paid up equity shares in the Demerged Company and whose names appear in the Register of Members of the Demerged Company as on the Record Date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as may be recognized by the Board of the Resulting Company in the following manner ("Share Exchange Ratio"):

Issue of equity shares of the Resulting Company to the shareholders of the Demerged Company:

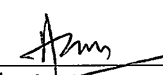
*"Upon the Scheme coming into effect and in consideration of and subject to the provisions of the Scheme, Esha Paints Private Limited shall, without any further application, act, deed, consent, acts, instrument or deed, issue and allot, on an aggregate, Rs. 380,00,00,000 (Rupees Three Hundred Eighty Crores Only) divided into 38,00,00,000 equity shares of Rs. 10 (Rupees Ten only) each, on a proportionate basis, to the shareholder of Gem Paints Private Limited whose name is recorded in the register of members as shareholders as on the Record Date."*

- 15.2. In the event that the equity shares entitled to be issued results in fractional entitlements, the Board of the Resulting Company shall be empowered to consolidate and/ or round off such fractional entitlements into whole number of equity shares to an integer. Notwithstanding, anything contained in this Clause, the Board of the Resulting Company at its absolute discretion may decide to deal with such fractional entitlements of the shareholder(s) of the Demerged Company in any other manner as it may deem to be in the best interest of the shareholder(s) of the Resulting Company.
- 15.3. In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Demerged Company, the Board of the Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer as if such changes in the registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or

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transferee of equity shares in the Demerged Company, after the effectiveness of this Scheme.

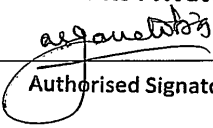
The equity shares of the Resulting Company shall be issued to the shareholders of the Demerged Company in dematerialized form

- 15.4. The Board of the Resulting Company shall, if and to the extent required, apply for and obtain any approvals from concerned Government/ Regulatory authorities and undertake necessary compliance for the issue and allotment of equity shares to the shareholders of the Demerged Company pursuant to Clause 15.1 of the Scheme.
- 15.5. The equity shares to be issued and allotted by the Resulting Company to the equity shareholders of the Demerged Company shall be subject to the Scheme and the Memorandum of Association and Articles of Association of the Resulting Company.
- 15.6. Approval of this Scheme by the shareholders of the Demerged Company and the Resulting Company shall be deemed to mean that the said shareholders have also accorded all relevant consents under the provisions of Section 62(1)(c) and Section 42 of the Act and the other relevant and applicable provisions of the for the issue and allotment of the equity shares by the Resulting Company to the shareholders of the Demerged Company, as provided in this Scheme and no separate resolution under the Act would be required to be passed.
- 15.7. The Board of Directors of the Demerged Company shall be empowered to remove such difficulties as may arise in the implementation of the Scheme and registration of new shareholders in the Resulting Company.

**16. CANCELLATION OF EQUITY SHARES OF THE RESULTING COMPANY HELD BY THE DEMERGED COMPANY**

- 16.1. Simultaneously, with the issue and allotment of the equity shares by the Resulting Company to the equity shareholders of the Demerged Company in accordance with Clause 15 above, the entire pre-demerger issued, subscribed and paid up share capital of the Resulting Company, comprising of 10,000 equity shares of INR 10 each, aggregating to INR 100,000 /- as held by the Demerged Company and its nominees, shall, without any further application, act, instrument or deed, be automatically stand cancelled, extinguished and annulled on and from the Effective Date and the issued, subscribed and paid up equity capital of the Resulting Company to that effect shall stand cancelled and reduced, which shall be regarded as reduction of share capital of the Resulting Company pursuant to the provisions of Section 66 of the Act.

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- 16.2. The reduction in the share capital of the Resulting Company as contemplated in Clause 16.1 above shall be effected as an integral part of this Scheme in accordance with the provisions of Section 230- 232 of the Act, and any other applicable provisions of the Act. The order of the NCLT sanctioning this Scheme shall also include approval and confirmation of the reduction of share capital of the Resulting Company which shall be deemed to be an order under Section 66 of the Act confirming the reduction and pursuant to the provisions under explanation to Section 230, no separate sanction shall be necessary. The consent of the shareholders of the Resulting Company to this Scheme shall be deemed to be the consent of its shareholders for the purpose of effecting the reduction under the provisions of Section 66 of the Act as well and no further compliances would be separately required.
- 16.3. The reduction as contemplated above would not involve any diminution of liability in respect of unpaid share capital, if any or payment to any shareholder of any unpaid share capital.
- 16.4. Notwithstanding the reduction of share capital, the Resulting Company shall not be required to add the words "and reduced" as a suffix to its name consequent upon reduction.

## 17. ACCOUNTING TREATMENT ON DEMERGER

### 17.1. Treatment in the books of the Demerged Company

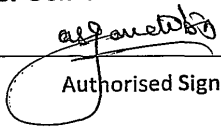
Upon the Scheme becoming effective:

- a) The Demerged Company shall give effect to the accounting treatment in its books of account in accordance with the relevant Indian Accounting Standards prescribed under Section 133 of the Act.
- b) The investment in the equity share capital of the Resulting Company as appearing in the books of the Demerged Company shall stand cancelled.

### 17.2. Treatment in the books of the Resulting Company

Upon the Scheme becoming effective and with effect from Astral acquiring the control of the Demerged Company, , since there is change in majority ownership of Paints Business Undertaking through this demerger, the Resulting Company shall account for the Demerged Undertaking in its books of account in accordance with the "acquisition method" prescribed under the Indian Accounting Standard (Ind AS) 103 – 'Business Combinations' as notified under Section 133 of the Act read together with Paragraph 3 of the Companies (Indian Accounting Standard) Rules, 2015:

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- a) In line with the recognition principles provided under Indian Accounting Standard 103 on Business Combinations, the Resulting Company shall recognize all assets (tangible as well as intangible) and liabilities of the Paints Business Undertaking transferred to and vested in the Resulting Company pursuant to this Scheme at fair values as determined by an independent valuer and adopted by the Resulting Company. Such assets will also include acquired identifiable intangible assets such as Brands, Licenses, Knowhow, Marketing Network, Supply chain network whether or not previously recorded in the books of accounts of the Demerged Company.
- b) The investments in the equity share capital of the Resulting Company as appearing in the books of the Demerged Company shall stand cancelled and accordingly the issued and paid up equity share capital of the Resulting Company shall stand reduced to the extent of face value of equity shares held by the Demerged Company in the Resulting Company as per Clause 16. The Resulting Company shall credit the aggregate face value of the Demerger Equity Shares issued by it to the shareholders of the Demerged Company pursuant to Clause 15 of this Scheme to the Share Capital Account in its books of accounts.
- c) Any other inter-company transactions and balances, if any, appearing in the books of accounts of the Demerged Company and the Resulting Company shall stand cancelled.
- d) The difference being the excess or shortfall if any, of fair value of the assets (including identifiable intangible assets as recognized under clause (a) above) over the liabilities pertaining to the Demerged Undertaking of the Demerged Company recorded by the Resulting Company in accordance with Clause (a) above, after adjusting for cancellation of the investments in the equity share capital of the Resulting Company in accordance with Clause (b) and face value of Demerger Equity Shares issued by the Resulting Company, if any, shall be recorded as Goodwill or Capital Reserve in the books of the Resulting Company.

Notwithstanding anything contained above in this Clause, the Board of Directors of the Demerged Company and Resulting Company, are authorized to account for any of these balances

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in any manner whatsoever, if considered more appropriate, in accordance with the applicable accounting standards.

**18. INCREASE IN AUTHORISED SHARE CAPITAL OF RESULTING COMPANY**

18.1. Upon the Scheme being effective, the Resulting Company shall take all necessary steps to increase its authorized share capital, as may be required, so as to make its authorized share capital sufficient for the allotment of shares by Resulting Company to the shareholders of Demerged Company in consideration of the demerger of the Paints Business Undertaking of Demerged Company into Resulting Company.

**19. CHANGE OF NAMES OF THE COMPANIES**

19.1. Upon the Scheme becoming effective, the name of the Demerged Company and Resulting Company, without any further act, instrument or deed, shall stand changed to a suitable name reflecting the business operations of the Demerged Company and Resulting Company and relevant clause of the MoA of the Demerged Company and Resulting Company shall stand accordingly modified, changed and amended with effect from the Effective Date.

19.2. Upon the Scheme becoming effective, the name of Demerged Company, will be changed to any other suitable name reflecting the business operations of the Demerged Company as decided by the Board of Directors of Demerged Company and approved by the Registrar of Companies and relevant clause of the MoA of Demerged Company shall stand accordingly modified, changed and amended with effect from the Effective Date.

19.3. Upon the Scheme becoming effective, the name of Resulting Company, without any further act, instrument or deed, shall stand changed to 'Gem Paints Private Limited' or to any other suitable name reflecting the business operations of the Resulting Company as decided by the Board of Directors of Resulting Company and approved by the Registrar of Companies and relevant clause of the MoA of Resulting Company shall stand accordingly modified, changed and amended with effect from the Effective Date.

19.4. It is further clarified that the approval of the Scheme by the shareholders, creditors, NCLT and other regulatory authorities shall be deemed to be approval for change in name in compliance with the provisions of Section 4 and Section 13 and other relevant applicable provisions of the Act. The companies, upon the Scheme becoming effective, shall file

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requisite form with the concerned Registrar of Companies for obtaining the new certificate of change of name.

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## PART IV

## GENERAL TERMS AND CONDITIONS

## 20. SCHEME CONDITIONAL ON APPROVAL/SANCTIONS

20.1. The Scheme is conditional upon subject to:

- (a) The Scheme being approved by requisite majorities of the shareholders and/or creditors of the Demerged Company and the Resulting Company as may be directed by the NCLT;
- (b) The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme;
- (c) Approval of the Scheme by the NCLT;
- (d) Certified copy of the order of the NCLT, sanctioning the Scheme being filed with ROC.

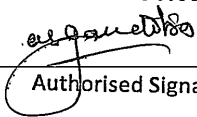
20.2. In the event of this Scheme failing to take effect finally, this Scheme shall become null and void and in that case no rights and liabilities whatsoever shall accrue to or be incurred inter-se by the parties or their shareholders or creditors or employees or any other person.

20.3. If any part of this Scheme is invalid, ruled illegal by NCLT or any court of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the parties that such part shall be severable from the remainder of this Scheme, and this Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the Board of the Demerged Company and the Resulting Company involved in the Scheme shall attempt to bring about a modification in this Scheme, as will best preserve for the parties the benefits, and obligations of this Scheme, including but not limited to such part.

## 21. APPLICATION TO THE TRIBUNAL

21.1. The Demerged Company and the Resulting Company shall, with all reasonable dispatch, make a joint application to the NCLT, under Sections 230 to 232 read with Section 66 of the Act and other applicable provisions of the Act, seeking orders for dispensing with or convening, holding and conducting of the meetings of the classes of their respective

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shareholders and/ or creditors and for sanctioning this Scheme, with such modifications as may be approved by the NCLT.

- 21.2. The Demerged Company and the Resulting Company shall be entitled, pending the effectiveness of the Scheme, to apply to any Appropriate Authority, if required, under any Applicable Law for such consents and approvals, as agreed between the Demerged Company and the Resulting Company, which the Demerged Company and the Resulting Company may require to effect the transactions contemplated under the Scheme or carry on the Demerged Undertaking, in any case subject to the terms as may be mutually agreed between the Demerged Company and the Resulting Company.
- 21.3. Upon this Scheme becoming effective, the respective shareholders of the Demerged Company and the Resulting Company shall be deemed to have also accorded their approval under all relevant provisions of the Act for giving effect to the provisions contained in this Scheme.

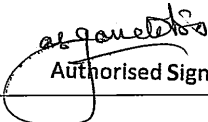
## 22. MODIFICATIONS/AMENDMENTS TO THE SCHEME

Subject to approval of NCLT, the Demerged Company and the Resulting Company by their respective Boards of Directors, may assent to/ make and/ or consent to any modifications/ amendments to the Scheme or to any conditions or limitations that the NCLT and/ or any other Appropriate Authority under law may deem fit to direct or impose, or which may otherwise be considered necessary, desirable or appropriate as a result of subsequent events or otherwise by them (i.e. the Board of Directors). The Demerged Company and the Resulting Company by their respective Board are authorized to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme, whether by reason of any directive or orders of any other authorities or otherwise howsoever, arising out of or under or by virtue of the Scheme and/ or any matter concerned or connected therewith.

## 23. EFFECT OF NON-RECEIPT OF APPROVALS, MATTERS RELATING TO REVOCATION AND WITHDRAWAL OF THE SCHEME

- 23.1. In the event of any of the said approvals or conditions referred to in Clause 20 above not being obtained and/ or complied with and/ or satisfied and/ or the Scheme not being sanctioned by the Tribunal and/ or order or orders not being passed as aforesaid by such date as may be mutually agreed upon by the respective Board of Directors of Demerged Company and Resulting Company (who are hereby empowered and authorized to agree to the aforesaid period without any limitations in exercise of their powers through and by their respective delegate(s)), this Scheme shall stand revoked, cancelled and be of no

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effect. Demerged Company and Resulting Company shall, in such event, *inter se* bear and pay their respective costs, charges, expenses in connection with the Scheme.

- 23.2. In the event of revocation under Clause 23.1, no rights and liabilities whatsoever shall accrue to or be incurred *inter se* to Demerged Company and Resulting Company or their respective shareholders or creditors or employees or any other person save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or in accordance with the Applicable Laws and in such case, each company shall bear its own costs unless otherwise mutually agreed.
- 23.3. Notwithstanding anything contained in Clause 23.1 and 23.2, the Board of Directors of Demerged Company and Resulting Company shall be entitled to withdraw this Scheme prior to the Effective Date.

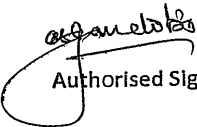
**24. PERMISSION TO RAISE CAPITAL**

Notwithstanding anything contained in this Scheme and subject to Applicable Laws, until this Scheme becomes effective, the Demerged Company and Resulting Company shall have right to raise capital whether via preferential issue of equity/ convertible/ non-convertible securities to one or more financial or strategic investors or in any other way for the efficient functioning of their business or for any other purpose including for purposes of refinancing, repayment, conversion or prepayment of any loans.


**25. COST CHARGES AND EXPENSES**

All costs, charges, fees, taxes including duties (including the stamp duty, if any, applicable in relation to this Scheme), levies and all other expenses, if any (save as expressly otherwise agreed) arising out of or incurred in carrying out and implementing the terms and conditions of this Scheme and matters incidental thereto shall be borne by the Demerged Company (Remaining Business Undertaking) and the same shall be eligible for deduction of expenditure incurred as per Section 35DD of the Income Tax Act.

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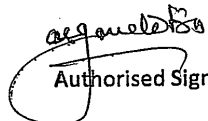
  
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## SCHEDULE I

**DETAILS OF TRADEMARKS FORMING PART OF THE PAINTS BUSINESS UNDERTAKING AS ON  
THE APPOINTED DATE**

S. No.	Particulars
1.	GEM
2.	COLOUR 2 O
3.	GEM PRIME
4.	GEM ULTRAWOOD
5.	GEM UNIVERSAL
6.	GEMCHLORE
7.	GEMCOAT
8.	GEMCROWN
9.	GEMCRYL
10.	GEMGOLD EMULSION
11.	GEMGOLD ENAMEL
12.	GEMGRACE
13.	GEMGUARD
14.	GEMPLAC FE
15.	GEMPLITE
16.	GEMPLUX
17.	GEMPEX
18.	GEMPEX PLUS
19.	GEMSHIELD
20.	GEMTEK
21.	GEMTEK HAMMERTONE
22.	GEMTEK POLYCHROMATIC
23.	GEMTEK TEXTURED
24.	RUSTOGUARD
25.	SANMAN
26.	WALL GUARD
27.	WALL MATE
28.	WALLPRIMO

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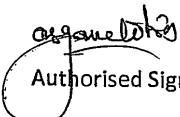
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## Schedule II

Particulars	Details
Type of instrument	Optionally Convertible Debenture
Face Value	INR 1,00,000 (One Lakh Rupee)
Coupon Rate	0.0001% p.a.
Terms and Conditions	Terms and Conditions are defined in the Debenture Subscription Agreement dated April 29, 2022
Tenure	10 years from the Closing Date as defined in the Debenture Subscription Agreement dated April 29, 2022

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