SCHEME OF ARRANGEMENT

BETWEEN

ENKEI CASTALLOY LIMITED

AND

ENKEI WHEELS (INDIA) LIMITED

AND

THEIR RESPECTIVE MEMBERS AND CREDITORS

PREAMBLE

This Scheme of Arrangement is presented under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 for Demerger of wheel Division of Enkei Castalloy Limited into Enkei Wheels (India) Limited.

(A) Enkei Castalloy Limited (ECL), the Demerged Company (as hereinafter defined) is engaged in the business of:

i) the manufacture and sale of castings made from aluminum alloys,for automotive and non-automotive applications (hereinafter referred to as the "Foundry Division")

and

ii) manufacture and sale of alloy wheels for automotive applications (hereinafter referred to as the "Wheel Division").

The equity shares of the Demerged Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

(B) Enkei Wheels (India) Limited (EWIL),the Resulting Company is the company formed for the purpose of taking over the Wheel Division on going concern basis from the Demerged company and is presently a wholly owned subsidiary of the Enkei Castalloy Limited.

(C) Rai Associates (as hereinafter defined) refers to Mr. Shailendra Rai , his associates , his relatives and entities belonging to him that collectively constitute as promoters in the Demerged Company

(D) Enkei Corporation (as hereinafter defined) is incorporated in Japan having its headquarters at 111-2 Itaya-Machi,Naka-Ku, Hamamatsu-Shi Shizuoka Prefecture, Japan Zip code 430-7726. (hereinunder referred to as Foreign Collaborator)

(E) The Demerged Company promoted by Rai Associates in collaboration with Enkei Corporation and is engaged in the business of foundry and aluminum wheels. Rai Associates since inception of the Demerged Company has successfully collaborated to develop and promote the growth and productivity of the Foundry Division and also establish production, marketing, sales and distribution of the Wheel Division products in India in collaboration with Enkei Corporation.

(F) The Wheel Division requires new and latest technology to improve its competitiveness against the recent entry of globally-positioned competitors, and to develop future markets both in India and overseas. It may need substantial infusion of risk capital to fund initial losses and expansion. Controlling interest of foreign collaborator in the Wheel Division will facilitate transfer of latest technology for the Resulting Company, acquisition of clients and raising of further funds or extension of repayment of funds already raised by way of ECB and share application money for preference capital for expansion. On the other hand, controlling interest by Indian Promoters in the Demerged Company will provide increased attention to enhance operations of the foundry Division and develop the export market.

(G) Enkei Corporation and Rai Associates have agreed, as part of a single composite transaction, as follows:

i) To demerge Wheel Division of the Demerged Company into the Resulting Company upon the coming into effect of this Scheme (as hereinafter defined).

ii) To the issue and allotment by the Resulting Company its fully paid equity shares to the shareholders of the Demerged Company in proportion of their respective shareholding in the Demerged Company on the Record Date (as hereinafter defined).

iii) To cancel Shares owned by ECL into EWIL

iv) To right size balance sheet of Demerged company and Resulting Company by providing for appreciation or diminution in the value of assets and liabilities

v) To the performance by Enkei Corporation and Rai Associates of their respective obligations in the case of Enkei Corporation, to transfer to the Rai Associates such number of equity shares as mutually agreed held by Enkei Corporation in the Demerged Company, and in the case of the Rai Associates, to transfer to Enkei Corporation the such number of equity shares as mutually

agreed held by the Rai Associates in the Resulting Company, giving Rai Associates control and management of the Demerged Company. And giving Enkei Corporation control and management of the Resulting Company

vi) to undertake the foregoing to achieve the business purposes of, inter alia, permitting greater management focus on the respective businesses, permitting the parties to focus their resources on the respective businesses, permitting independent decisions regarding the use of cash flow for dividends, capital expenditures or other re-investment in the businesses and permitting the wheel business of the Resulting Company to be integrated with Enkei Corporation's worldwide wheel business.

(H) In furtherance of the aforesaid agreement this Scheme provides for:

(a) The Demerger of Wheel Division of the Demerged Company.

(b) The issue and allotment by the Resulting Company its fully paid equity shares to the shareholders of the Demerged Company in proportion to their respective shareholding in the Demerged Company as aforesaid. The shareholding pattern, post Demerger, in the Resulting Company and the Demerged Company, as set out hereunder, would be identical to the present shareholding pattern in the Demerged Company:

Shareholders	**Demerged Company**	**Resulting Company**
Rai Associates	35.33%	35.33%
Enkei Corporation	34.5%	34.5%
Public	30.17%	30.17%
Total	**100%**	**100%**

(c) To right size balance sheet of Demerged Ccompany and Resulting Company by providing for appreciation or diminution in the value of assets and liabilities

(d) To cancel Shares owned by ECL into EWIL

(I) The present Scheme of Arrangement (hereinafter referred to as "this Scheme") is presented for a transfer on a going concern basis of the "Demerged Undertaking" (as defined hereinafter in this Scheme) into the Resulting Company, with the Demerged Company being engaged in the Remaining Business (as defined hereinafter in this Scheme) and focusing on new business opportunities and in consideration thereof issue of equity shares by the Resulting Company to the members of the Demerged Company, on a proportionate basis, pursuant to Section 394 and other relevant provisions of the Act and in compliance with the norms laid down under Section 2(19AA) and other relevant sections of the Income Tax Act, 1961. If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date, whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. Such modification will however not affect other parts of the Scheme. The power to make such amendments as may become necessary shall vest with the Board of both the companies , which power shall be exercised reasonably in the best interests of the companies and their shareholders, and which power can be exercised at any time, whether before or after the Effective Date.

(J) This restructuring is intended to provide greater business focus in both the Demerged Company as well as the Resulting Company. The Board of Directors of both the Demerged Company and the Resulting Company are of the opinion that the Demerger would result in benefit to the Members, creditors and employees of both the Companies and will not be detrimental to the public interest.

(K) The demerger of the Demerged Undertaking of the Demerged Company under this Scheme will be effective under the provisions of Sections 391 to 394 of the Companies Act, 1956 This Scheme is divided into six parts-

Part I – which deals with the Definitions

Part II– which deals with the transfer and vesting of wheel Division of the Demerged Company as a going concern to and in the Resulting Company

Part III – which deals with the Remaining Undertaking

Part IV – which deals with the Accounting Treatment, reduction of the Capital of Resulting Company and right sizing of the balance sheet of Demerged Company and Resulting Company

Part V- which deals with the General Terms and Conditions and

PartVI – which deals with the transfer obligation of Indian promoters and Foreign collaborators

PART I - DEFINITIONS

1. DEFINITIONS

Unless repugnant to the context or meaning thereof, the following expressions shall have the meanings assigned to them respectively herein below:

1.1. **"Act"** means the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.

1.2. **"Appointed Date"** means the **1st day of April 2009** or such other date as may be approved by the High Court of Bombay.

1.3. **"Effective Date"** means the date on which the certified copy of the Order of High Court of Judicature of Bombay under Sections 391 and 394 of the Act sanctioning the Scheme is filed with the Registrar of Companies at Pune after receiving all approvals from various government authorities Further "coming into effect of this Scheme" or "effectiveness of this Scheme" shall mean the Effective Date.

1.4. **"Approval"** means any sanction, approval, consent or permission from a Statutory Authority required for the Scheme to be legally effective, operational and binding.

1.5. **"Indian Promoters" or "Rai Associates" Or 'The Rai Group'** means Mr. Shailendra Rai, his Associates, Person acting in his concert as defined under The SEBI(Substantial Acquisition of shares and Takeover) Regulations,1997, and his relatives and entities belonging to him which collectively constitute promoters in the Demerged Company as on the date

1.6. **"Foreign Collaborators" or "Enkei Corporation" or Enkei** means a body corporate incorporated in Japan having its headquarters at 111-2 Itaya-Machi, Naka-Ku, Hamamatsu-Shi Shizuoka Prefecture, Japan Zip code 430-7726 and shall include its subsidiaries or associates whether in India or abroad and its Person acting in concert as defined under The SEBI(Substantial Acquisition of shares and Takeover) Regulations.1997

1.7. **"ECL" or "the Demerged Company" or "the Transferor Company"** means Enkei Castalloy Limited a company within the meaning of the Act having its Registered Office at Gat 1426, Village Shikrapur, Taluka Shirur, Pune, 412208.

1.8. **"EWIL" or "the Resulting Company" or "the Transferee Company"** means Enkei Wheels (India) Limited a company within the meaning of the Act having its Registered Office at Gat 1426, Village Shikrapur, Taluka Shirur, Pune, 412208.

1.9. **"Demerged Undertaking" or " Wheel Division"** means entire business of the Wheel Division of ECL as a going concern, and shall include (without limitation) :

1.9.1. all assets wherever situated, whether movable or immovable, leasehold or licensed, tangible or intangible, including all lands , plant and machinery, buildings, offices, godowns, warehouses, work-in-progress, vehicles, aircraft, helicopter, furniture and fixtures, office equipment, computer installations, electrical installations, air-conditioning plant, drawings and designs, appliances and accessories pertaining to or relating to the Demerged Undertaking, which includes the land(Known as Land 2)and all building and structures there on and right to use part of land out of land known as Land 1 and such buildings and structures known as Wheel 1and Paint Shop on terms and conditions as may be agreed upon with Demerged Company at the manufacturing facilities at Gat 1426 village Shikrapur ,Taluka Shirur ,Pune 412208,Maharashtra; (as specified in **Schedule 'A' hereto)**,

1.9.2. all liabilities present and future and the specific contingent liabilities pertaining to or relatable to the Demerged Undertaking; (as specified in **Schedule "B"** hereto). For the purpose of this Scheme, it is clarified that liabilities pertaining to the Demerged Undertaking includes:

i. Liabilities which directly and specifically arise out of the activities or operations of the Demerged Undertaking;

ii. Liabilities both present and contingent. Including product warranties liabilities and External Commercial Borrowings of Japanese Yen 300 million(approximately Rupees 19,002,791)

iii. Liabilities towards export obligations

iv. Share Application Money of Rupees 13,16,52,000 towards preference share capital from Enkei Corporation

v. Specific loans and borrowings raised, if any, incurred and utilised solely for the activities or operations of the demerged undertaking.

vi. Liabilities other than those referred to in (a), (b) or (c) above, i.e. the amounts of general or multi-purpose borrowings of the Demerged Company allocated to the Demerged Undertaking in proportion as identified by the management on the appointed date, however, the same without detriment to the security for such borrowings to the lenders as it existed before the scheme coming into effect.

1.9.3. Subject to any express third party consents which may be required, all rights and licences, all assignments and grants thereof, all permits, registrations, quota rights, import quotas, rights (including rights under any agreement, contracts, applications, letters of intent, or any other contracts), subsidies, grants, tax credits, incentives or schemes of Central/State Governments, quality certifications and approvals, (both Indian and foreign) including those under customer contracts, customer purchase orders, order acceptances, and under pending customer purchase orders and/or schedules (including those which are work-in-progress) product registrations (both Indian and foreign) regulatory approvals, entitlements, industrial and other licences, municipal permissions, goodwill, approvals, consents, tenancies, if any, in relation to the office and/or residential properties for the employees, investments and/or interest (whether vested, contingent or otherwise) in projects undertaken by the Demerged Undertaking, either solely or jointly with other parties, cash balances, bank balances, bank accounts, deposits, advances, recoverables, receivables, easements, advantages, financial assets, hire purchase and lease arrangements, the benefits of bank guarantees issued by Demerged Company in relation to the Demerged Undertaking, privileges, all other claims, rights and benefits (including under any powers of attorney issued by the Demerged Company in relation to the Demerged Undertaking or any powers of attorney issued in favour of the Demerged Company or from or by virtue of any proceeding before a legal, quasi-judicial authority or any other statutory authority to which the Demerged Company was a party), powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephones, facsimile connections and communication installations, utilities,

agreements, contracts and arrangements and all other interests in connection with or relating to the Demerged Undertaking;

1.9.4. employees that are determined by the Board of Directors of the Demerged Company, substantially engaged in or in relation to the Demerged Undertaking;

1.9.5. all deposits and balances with government, semi-governmental, local and other authorities and bodies, customers, suppliers and other persons, earnest moneys and/or security deposits paid or received by the Demerged Company, directly or indirectly in connection with or in relation to the Demerged Undertaking;

1.9.6. all books, records, files, papers, product specifications and process information, records of standard operating procedures, computer programmes along with their licences, manuals and back up copies, drawings, other 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, directly or indirectly in connection with or relating to the Demerged Undertaking;

1.9.7. all trade marks including "ENKEI", trade names, patents and domain names, copyrights, industrial designs, trade secrets, product registrations and other intellectual property and all other interests exclusively relating to the goods or services being dealt with by the Demerged Undertaking (as specified in **Schedule C** attached herewith) but not including any assets or liabilities or intellectual property rights relating to the Remaining Business of the Demerged Company.

1.10. "**High Court**" shall mean the High Court of Judicature at Bombay. In the event of the National Company Law Tribunal (hereinafter referred to as "**the Tribunal**") being constituted by the Central Government by a Notification in the Official Gazette and the proceedings initiated under section 391-394 of the Companies Act, 1956 relating to these scheme being transferred to the Tribunal, the words "High Court" shall deem to mean and include the Tribunal, as the context may require.

1.11. **"Remaining Assets"** in relation to ECL means and includes all assets of Foundry Division and all other assets whether tangible or intangible whether recorded in the books or not and includes the land(Known as Land 1)and all

Land 2 and such buildings and structures known as Foundry 4 on terms and conditions as may be agreed upon with the Resulting Company at the manufacturing facilities at Gat 1426 village Shikrapur ,Taluka Shirur ,Pune 412208,Maharashtra; excluding assets of the said Demerged Undertaking as specified in **Schedule A**

1.12. **"Remaining Liabilities"** in relation to ECL means and includes all liabilities including that of Foundry Division whether recorded in the books or not and other than that of Demerged Undertaking as specified in **Schedule B**

1.13. **"Record Date"** means the date to be fixed by the Board of Directors of ECL in consultation with the Board of Directors of EWIL for the purpose of reckoning names of the equity shareholders of ECL who shall be entitled to receive the shares of EWIL upon coming into effect of this Scheme as specified in Clause 1.3 of this Scheme.

1.14. **"Scheme"** or "**the Scheme**" or "**this Scheme** means this Scheme of Arrangement for the demerger of Wheel Division of ECL into EWIL in its present form or with any modification(s) approved or imposed or directed by the High Court.

1.15. **"SEBI"** means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.

1.16. **"Statutory Agency"** means any Government agency of the Union of India or of any State of India, SEBI, RBI, FEMA or any such other body whose approval is required for the Scheme to be effective.

1.17. **INTERPRETATIONS**

Unless the context or meaning thereof otherwise requires:

1.17.1. Reference to the words "herein" and "hereunder' and other words of similar import refer to this Scheme as a whole and not to any particular Clause or sub-Clause and the words "Clause" or "sub Clause" refer to the relevant Clause or sub-Clause, as the case may be, of this Scheme.

1.17.2. Reference in this Scheme to any deed, document, and writing or to any statute shall include any modification, re-enactment or extension thereof.

1.17.3. Headings are for ease of reference only, and shall not be taken into account for

1.17.4. **Reference to any singular, includes plural and vice versa.**

1.17.5. Reference to any gender includes the other gender.

1.17.6. "Person" includes an individual, partnership firm, company (as defined in Section 3 of the Act) a body corporate as defined in Section 2(17) of the Act, a co-operative society and any body or organization of individuals or persons whether incorporated or not.

1.17.7. If the terms of this Scheme are such , any act would be required to be performed on a day which is a Public Holiday, that act shall be deemed to have been duly performed, if performed on or within the period ending on the immediately succeeding Business Day after that day.

2. **SHARE CAPITAL**

2.1. The Present Share Capital of ECL.

Authorised Capital	
1,10,00,000 Equity Shares of Rs 5 each	5,50,00,000
TOTAL	**5,50,00,000**
Issued, subscribed & Paid-up Capital	
1,10,00,000 Equity Shares of Rs 5 each	5,50,00,000

There has been no change in capital structure of ECL till date. The Equity Shares of ECL are listed on Bombay Stock Exchange Limited, the National Stock Exchange of India Limited.

2.2. The Present Share Capital of EWIL.

Authorised Share Capital	**Amount in Rs**
2,00,000 Equity Shares of Rs.5/- each	10,00,000
Total	**10,00,000**
Issue, Subscribed & Paid up	
2,00,000 Equity Shares of Rs.5/- each	10,00,000
Total	**10,00,000**

There has been no change in capital structure of EWIL till date. EWIL is presently a wholly owned subsidiary of ECL. After issue of shares by EWIL in terms of Clause 12.1.1 EWIL would cease to be a subsidiary of ECL.

3. **DATE THE SCHEME COMES INTO OPERATION**

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court of Judicature at Bombay shall be effective from the Effective Date, but shall be deemed to and come into operation from the Appointed Date.

PART II

TRANSFER AND VESTING OF DEMERGED UNDERTAKING

4. ASSETS

4.1. Upon the coming into effect of this Scheme and on and from the Appointed Date, the Demerged Undertaking shall, without any further act, instrument or deed, subject to the provisions of this Clause in relation to the mode of vesting and pursuant to sections 391 & 394(2) and other relevant provisions of the Act, be transferred to and vested in or be deemed to have been demerged from the Demerged Company and be transferred to and vested in the Resulting Company, as a going concern, free of Encumbrances but subject to Clause 4.5 below so as to become on and from the Appointed Date, the estates, assets, right, title and interest of the Resulting Company without any further act, instrument or deed.

4.2. In respect of such of the assets belonging to the Demerged Undertaking, including cash and bank balances, as are movable in nature or are otherwise capable of transfer by manual delivery, payment or by endorsement and delivery, the same shall be so transferred by the Demerged Company to the Resulting Company, and on and from the Appointed Date shall become the property of the Resulting Company without any further act, instrument or deed.

4.3. In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in Clause 4.2 above, the same shall, as more particularly provided in Clause 4.1 above, without any further act, instrument or deed, be transferred to and vested in and/or be deemed to be transferred to and vested in the Resulting Company on and from the Appointed Date, pursuant to the provisions of sections 391 and 394 of the Act.

4.4. Pursuant to the provisions of sections 391 and 394 of the Act, (i) all assets acquired by the Demerged Company, on and after the Appointed Date but prior to the Effective Date, for operations of the Demerged Undertaking which are movable in nature or are otherwise capable of transfer by manual delivery, payment or by endorsement and delivery shall be so transferred by the Demerged Company to the Resulting Company upon coming into effect of this Scheme, and (ii) all other assets acquired by the Demerged Company, on or after the Appointed Date but prior to the Effective Date, for operations of the Demerged Undertaking shall also without any further act, instrument or deed, be transferred to and vested

in and/or to be deemed to be transferred to and vested in the Resulting Company, upon the coming into effect of this Scheme.

4.5. The existing security and charge over the assets of the Demerged Undertaking relating to any loans, or borrowings of the Demerged Company in respect of the activities or operations of the Demerged Undertaking, shall without any further act, instrument or deed be transferred to the Resulting Company and shall be available as security in relation to such loans or borrowings. Similarly, the existing security and charge over Remaining Assets relating to any loans, or borrowings of the Demerged Company in respect of the activities or operations of the Demerged Undertaking, shall be available as security in relation to such loans or borrowings and shall be considered as discharged on obtaining relevant No Objection from concerned lenders.

5. **LIABILITIES AND OBLIGATIONS**

5.1. Upon the coming into effect of this Scheme, the following liabilities and obligations being a part of the Demerged Undertaking, as on the Appointed Date, shall without any further act, instrument or deed, be and stand transferred to and be deemed to have been transferred to the Resulting Company to the extent they are outstanding on the Effective Date and shall become the liabilities and obligations of the Resulting Company, which shall meet, discharge and satisfy the same;

the liabilities which arose out of the activities or operation of the Demerged Undertaking; and such of the general or multipurpose borrowings of the Demerged Company as are identified by the Board of the Demerged Company and relating to the activities or operations of the Demerged Undertaking which in the aggregate stand in the same proportion as far as is practicable in which the value of the assets transferred to the Resulting Company bear to the assets of the Demerged Company on the Appointed Date and more particularly described in the Schedule B hereto

5.2. Should any of the liabilities and obligations of the Demerged Company as on the Appointed Date deemed to be transferred to the Resulting Company be released and discharged by the Demerged Company after the Appointed Date but prior to the Effective Date, such release and discharge shall be deemed to have been for and on account of the Resulting Company and all loans raised and used and all

the Demerged Undertaking after the Appointed Date but prior to the Effective Date, subject to the terms of this Scheme, 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 without any further act, instrument 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.

5.3. The transfer of the general or multipurpose borrowings forming part of the transferred liabilities shall be without prejudice to any agreements or arrangements including in respect of security, entered into between the Demerged Company and its existing lenders on the Appointed Date, which shall continue in full force notwithstanding that the liability for repayment of principal and payment of interest is taken over by the Resulting Company and the Demerged Company shall make payments to its lenders in terms of such agreements or understandings on behalf of the Resulting Company, and the Resulting Company shall reimburse the Demerged Company for such payments made by it to the lenders. In the event of any failure or delay by the Demerged Company to make the aforesaid payments to the lenders on behalf of the Resulting Company in accordance with the above agreements or arrangements, the Demerged Company shall be responsible for the consequences of such failure or delay.

5.4. In so far as the assets comprising of the Foundry Division and the security over such assets relating to the transferred liabilities are concerned, the same shall, without any further act, instrument or deed be released and discharged from the obligations and security relating to the same as soon as No objection is received for the same from concerned lenders .The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above.

5.5. Further, in so far as the assets comprised in the Demerged Undertaking are concerned, the security and charge over such assets relating to any loans or borrowings of the Demerged Company, which are not transferred pursuant to this Scheme (and which shall continue with the Demerged Company) shall without any further act, instrument or deed be released and discharged from such Encumbrance as soon as No objection is received for the same from concerned

relation to such loans or borrowings to be continued with the Demerged Company.

5.6. 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 instruments or documents or do all acts and deeds, as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies of Maharashtra at Pune, to give formal effect to the above provisions.

5.7. The Demerged Company and the Resulting Company shall enter into and execute such further deeds, documents or writings, as may be required to give effect to the provisions of this Clause 5.

5.8. Upon the coming into effect of this Scheme, the Resulting Company alone shall be liable to perform all obligations in respect of the Transferred liabilities, and the Demerged Company shall not have any obligations in respect of the Transferred liabilities save as provided in Clause 5.3 above. The Resulting Company shall have no liability for the Foundry Division of the Demerged Company.

5.9. It is expressly provided that, save as mentioned in this Clause 5, no other term or condition of the Transferred liabilities is modified by virtue of this Scheme, except to the extent that such amendment is required by necessary implication.

5.10. Subject to necessary consents being obtained, in accordance with the terms of this Scheme, the provisions of this Clause 5 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.

5.11. Upon the coming into effect of this scheme, the borrowing limits of the Resulting Company in term of Section 293 (1)(d) of the Act shall be deemed without any further act or deed to have been enhanced to the approved limits for borrowings of the Demerged Company as on the Appointed date, such limits being incremental to the existing limits of the Resulting Company, with effect from the Appointed Date.

6. **TRANSFER OF ASSETS AND LIABILITIES AT BOOK VALUES**

All the assets and liabilities of the Demerged Undertaking shall be transferred to the Resulting Company at the values appearing in the books of the Demerged

Company, the values of which as on the Appointed Date are also set forth in the Schedule hereto.

7. **CONTRACTS, DEEDS**

7.1. Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Demerged Undertaking to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible and which are subsisting or have effect immediately before the Effective Date, shall continue to remain in full force and effect on or against or in favour, as the case may be, of the Resulting Company, as if the Resulting Company had been a party or beneficiary or obligee thereto.

7.2. Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Demerged Undertaking in the Resulting Company occurs by virtue of Part II of this Scheme itself, the Resulting Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds, confirmation (including deeds of adherence) or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings, as may be necessary to be executed in order to give formal effect to the above provisions. The Demerged Company will, if necessary, also be a party to the above. The Resulting Company shall, under the provisions of this Scheme, be deemed to be authorized to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances referred to above on the part of the Demerged Company to be carried out or performed.

7.3. For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of this Scheme, all consents, permissions, licenses, certificates, clearances, authorities, powers of attorney given by, issued to or executed in favour of the Demerged Company in relation to the Demerged Undertaking shall stand transferred to the Resulting Company as if the same were originally given by, issued to or executed in favour of the Resulting Company, and the Resulting Company shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to the Resulting Company. The Demerged Company and / or the

Resulting Company shall make and / or process applications to any Governmental Authority, as may be necessary in this behalf.

7.4. It is clarified that if any assets (estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Demerged Undertaking, which the Demerged Company owns or to which the Demerged Company is a party cannot be transferred to the Resulting Company for any reason whatsoever, the Demerged Company shall hold such assets or contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company insofar as it is permissible so to do, till such time as the transfer is effected.

8. **STAFF, WORKMEN AND EMPLOYEES**

8.1. Upon the coming into effect of this Scheme, all the staff, workmen and employees of the Demerged Company(as may be determined by the managing director of the Demerged Company), engaged in the Demerged Undertaking as on the Effective Date shall be deemed to have become the employees of the Resulting Company, subject to the provisions hereof and on terms and conditions no less favourable than those on which they are presently engaged in the Demerged Undertaking prior to the Effective Date, and without any interruption of service as a result of the transfer of the Demerged Undertaking.

8.2. Insofar as the existing provident fund trusts, gratuity fund and pension and superannuation fund trusts created by the Demerged Company for its employees (including the Transferred Employees) are concerned, that part of the funds standing to the credit of the Transferred Employees shall be continued for the benefit of the Transferred Employees, pursuant to this Scheme in the manner provided hereinafter. The Resulting Company shall take all necessary steps to set up its own funds as soon as practicable. In the event that the Resulting Company has set up its own funds in respect of any of the funds of the Demerged Company referred to above, the amounts in such funds of the Demerged Company in respect of contributions and accrued benefits pertaining to the Transferred Employees of the Demerged Undertaking shall, subject to the necessary approvals and permissions, if any, be transferred to the relevant funds of the Resulting Company. Until such time as the Resulting Company creates its own fund, the Resulting Company shall, subject to necessary approvals and permissions. contribute in

respect of the Transferred Employees to the relevant funds of the Demerged Company. At the time that the Resulting Company creates its own fund, the contributions and accrued benefits pertaining to the Transferred Employees shall be transferred or caused to be transferred by the Demerged Company to the funds created by the Resulting Company.

9. **LEGAL PROCEEDINGS**

All legal, taxation or other proceedings, whether of a civil or criminal nature (including before any statutory or quasi-judicial authority or tribunal) excluding those specifically agreed to be taken over by Resultant Company like product liability by or against the Demerged Company under any statute, rule or regulation, pending on the Appointed Date including those relating to the business of the Demerged Undertaking shall be continued and enforced by or against the Demerged Company even after the Effective Date. The Resulting Company shall in no event be responsible or liable in relation to any such legal or other proceedings against the Demerged Company, and the Demerged Company shall keep the Resulting Company fully indemnified in that behalf. The Resulting Company shall however, if required by the Demerged Company, provide all reasonable assistance including by making available relevant books and /or documents and any concerned personnel in its employment in connection with any such proceedings.

10. **CONDUCT OF BUSINESS**

10.1. With effect from the Appointed Date and up to and including the Effective Date;

10.1.1. The Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Demerged Undertaking and stand possessed of all the estates, assets, rights, title, authorities, contracts, sinvestments and interest of the Demerged Undertaking for and on account of, and in trust for, the Resulting Company.

10.1.2. All profits accruing to the Demerged Company, or losses arising or incurred by it (including the effect of taxes, if any, thereon) relating to the Demerged Undertaking for the period from and after the Appointed Date based on the audited accounts of the Demerged Company, shall for all purposes, be treated as the profits, taxes or losses, as the case may be, of the Resulting Company

10.2. The Demerged Company shall carry on the Foundry Division in terms of Part III of this Scheme distinctly and as a separate business from the Demerged

10.3. The Demerged Company hereby undertakes that it shall on and from the Appointed Date up to and including the Effective Date preserve and carry on the business of the Demerged Undertaking with diligence and prudence and undertakes that it will not, without the prior written consent of Enkei Corporation, (in each case, except in the ordinary course of business) undertake any financial commitments, sell, transfer, alienate or Encumber or otherwise deal with or dispose of the Demerged Undertaking or any part thereof or recruit new employees (in each case except in the ordinary course of business) or conclude settlements with any union or employees or undertake expansion of the Demerged Undertaking, other than expansions which have already been commenced prior to the Appointed Date.

10.4. The transfer and vesting of the assets, liabilities and obligations of the Demerged Undertaking under Clauses 3 and 4 above shall not affect any transactions already completed by the Demerged Company on the Appointed Date to the end and intent that, subject to Clause 14 below, the Resulting Company accepts all acts, deeds and things done and executed by and/or on behalf of the Demerged Company between the Appointed Date and the Effective Date as acts, deeds and things done and executed by and on behalf of the Resulting Company.

11. **OPERATIONAL AGREEMENTS FOR COMMON FACILITIES**

Demerged company shall enter into one or more separate agreements with the Resulting Company, for sharing of some of its resources or facilities, including but not limited to the following:

- Sharing of common facilities and terms there of
- Terms and conditions for transfer of each other's divisions in each other's land
- Employees and customer related agreements
- Electricity, LPG, Water supply contract
- Aluminum Chips re-processing contract
- Temporary Computer Network Usage and division of Computer resources
- Share of common intellectual property including TS16949 docs, internal system procedures and business programs
- Temporary function of Human Resource and Administration, Finance
- Division of common resources in Delhi
- Product Liabilities for periods before Appointed Date
- Sharing of ETP project along with Electricity, water etc

12. **CONSIDERATION**

12.1. Upon coming into effect of the Scheme and in consideration for the transfer of the Demerged Undertaking to EWIL, the consideration in respect of such transfer shall, subject to the provisions of the Scheme, be paid and satisfied by EWIL as follows:

12.1.1. Equity Shareholders of ECL will be issued and allotted 1(One) Equity Share of Rs.5/- each fully paid in EWIL for every 1(One) Equity Share of Rs.5/- each held by it in ECL.

12.1.2. The equity shares so issued to the shareholders of the Demerged Company pursuant to Clause 12.1.1. above shall be issued in dematerialized form by the Resulting Company unless otherwise notified in writing by the shareholders of the Demerged Company to the Resulting Company or the Demerged Company, as the case may be, on or before such date as may be determined by the Board of Directors of Resulting Company. In the event that such notice has not been timely received by the Resulting Company in respect of any of the members of the Demerged Company, the equity shares shall be issued to such members in dematerialized form provided that the members of the Demerged Company shall be required to have an account with a depository participant and shall provide to the Resulting Company or the Demerged Company, as the case may be, details thereof and such other confirmations, as may be required. It is only thereupon that the Resulting Company shall issue and directly credit the dematerialized securities to the account of such member with the equity shares. In the event that the Resulting Company have received notice from any member that equity shares are to be issued in certificate form or if any member has not provided the requisite details relating to the account with a depository participant or other confirmations, as may be required, then the Resulting Company shall issue equity shares in certificate form to such member

12.1.3. The new Equity Shares to be issued and allotted in terms hereof will be subject to the Memorandum and Articles of Association of EWIL.

12.1.4. For the purpose of issue of New Equity Shares to NRI shareholders of ECL, EWIL shall and to the extent required, apply for and obtain the required statutory approvals including approval of Reserve Bank of India and other concerned regulatory authorities.

12.1.5. Equity shares of the Resulting Company issued in terms of Clauses 12.1.1 above shall be listed and/or admitted to trading on the relevant stock exchange/s, where the equity shares of the Demerged Company are already listed and/or admitted to trading as on Effective Date.

12.1.6. The Equity Shares allotted by the Resulting Company pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the stock exchange.

12.1.7. There will be no change in the shareholding pattern or control in Resulting Company (Enkei Wheels (India) Limited) between record date and the listing date which may affect the basis on which approval is received from the Stock Exchanges.

12.1.8. The period for which the shares in ECL were held by shareholders shall be included in determining the period for which the Equity Shares in EWIL have been held by the respective shareholder.

12.1.9. The issue and allotment of new Equity Shares by EWIL to the shareholders of ECL as provided in this Scheme is an integral part thereof and shall be deemed to have been carried out as if the procedure laid down under Section 81(1A) and any other applicable provisions of the Act were duly complied with.

12.1.10. On allotment of shares by the Resulting Company in terms of Clause 12.1.1, the existing shareholding of ECL into EWIL in the equity share capital of EWIL of Rs 10,00,000 divided into 2,00,000 Equity Shares of Rs 5/- each of the Resulting Company shall stand cancelled as an integral part of this Scheme. The proposed reduction of share capital contemplated above, neither involve the diminution in liability of unpaid share capital nor any payment is proposed to be made to shareholders of the Resulting Company of any of its paid up share capital, the provisions of Section 101 to 103 of the Act shall not have any application and Resulting Company shall not be obliged to comply with the procedures contemplated under Sections 101 to 103 of the Act. Therefore no order under Section 102 of the Act confirming reduction shall be required.

12.1.11. The Resulting Company will not be required to add the words "And Reduced" after its name.

13. **INCREASE IN AUTHORISED CAPITAL OF RESULTING COMPANY**

13.1 Upon the coming into effect of this Scheme the authorised share capital of the

contained in the Memorandum of Association of the Resulting Company shall, subject to compliance with applicable laws and the Act upon the coming into effect of this Scheme, be altered as follows:

- The authorised share capital of the Resulting Company shall be increased from Rs. 10,00,000/- (Rupees ten lacs only) divided into 2,00,000 (two lacs) equity shares of Rs. 5/- (Rupees five only) each to Rs. 55,000,000(Rupees Five Crore and fifty lacs only) by creation of 108,00,000 (One crore eight lacs) equity shares of Rs. 5- (Rupees Five only) each and Clause (V) of the Memorandum of Association of the Resulting Company shall upon coming into effect of this Scheme, be substituted by the following new clause:

"V. The Authorised Share Capital of the Company is Rs. 55,000,000 (Rupees Five Crore and fifty lacs only) divided into 11,000,000(One crore ten lacs) Equity Shares of Rs. 5/- (Rupees Five only) each

- Similarly Clause 3(a) of the Articles of Association shall be substituted as follows:

"The Authorised Share Capital is Rs 55,000,000 /- (Rupees Five Crore and fifty lacs only) divided into 11,000,000 (One crore ten lacs) Equity Shares of Rs.5/- (Rupees Five only) each with the rights privileges and conditions attaching thereto as are provided by Articles of Association of the Company, for the time being, with power to increase or reduce the capital and to divide and sub-divide the shares into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956, modify its Capital and to divide all or any of the shares in the Capital of the Company, for the time being, classify and reclassify such shares from shares of one class into shares of other class or classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by the company and to vary, modify or abrogate any such rights, privileges, conditions or restrictions in such manner and by such persons as may, for the time being, be permitted under the provisions of the Articles of Association of the Company or legislative provisions, for the time

13.2 The Resulting Company as part of Demerged Undertaking will have Share Application Money pending for allotment of preference shares of Rs 13,16,52,000(USD 2.70 Million). The same will be converted as preference shares after the Effective Date in compliance of applicable statutes on such terms and conditions as may be approved by Reserve bank of India and such other authorities as per **Schedule "D"**

PART III -REMAINING BUSINESSS

14. **REMAINING BUSINESS TO CONTINUE WITH THE DEMERGED COMPANY**

14.1. All the assets, liabilities and obligations pertaining to the remaining business including foundry division thereto shall continue to belong to and be vested in and be managed by the Demerged Company.

14.2. Upon coming into effect of the Scheme, all legal, taxation and any other proceedings of (including arbitration) of whatsoever nature, including before any statutory or quasi-judicial authority or tribunal, by or against the Demerged Company whether pending on the Appointed Date or which may be instituted in future after the Appointed Date (in respect of any matter arising before the Appointed Date), in the manner and to the same extent as would or might have been continued and enforced by or against the Demerged Company.

14.3. If proceedings are taken against the Resulting Company in respect of the matters referred to in sub-clause (a) above, the Resulting Company shall defend the same in accordance with the advice of the Demerged Company and at the cost and risk of the Demerged Company and the latter shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by the Resulting Company in respect thereof. In respect of such defense, the Demerged Company shall extend full and timely cooperation, including providing requisite information, personnel and the like, so as to enable the Resulting Company to defend the same.

14.4. The Demerged Company shall always be deemed to have been carrying on and to be carrying on all business and activities relating to the Foundry Division for its own account and on its own behalf and all profits accruing to the Demerged Company thereon or losses arising or incurred by it (which incudes the effect of taxes including advance tax paid, if any, thereon) relating to the Foundry Division shall, for all purposes, be treated as the profits, taxes or losses, as the case may be. of the Demerged Company.

(a) The Demerged Company shall carry on and shall be deemed to have been carrying on all business and activities relating to the Remaining Undertaking for and on its own behalf;

(b) all profits accruing to the Demerged Company thereon or losses arising or incurred by it (including the effect of taxes, if any, thereon) relating to the Remaining Undertaking shall, for all purposes, be treated as the profits or losses, as the case may be, of the Demerged Company; and

(c) All assets and properties acquired by the Demerged Company in relation to the Remaining Undertaking on and after the Appointed Date shall belong to and continue to remain vested in the Demerged Company.

PART IV-ACCOUNTING TREATMENT

15. ACCOUNTING TREATMENT IN THE BOOKS OF RESULTING COMPANY

15.1. Upon coming into effect of the Scheme the assets and liabilities of Demerged Undertaking of ECL being transferred to EWIL shall be accounted at values appearing in the books of accounts of ECL as on Appointed Date.

15.2. The Resulting Company shall credit its Share Capital Account in its books of account with the aggregate face value of the Equity Shares issued to the shareholders of the Demerged Company pursuant to this Scheme.

15.3. The excess or deficit, if any, remaining after recording the aforesaid entries shall be credited by the Resulting Company to its Securities Premium Account or debited to Goodwill, as the case may be.

16. ACCOUNTING TREATMENT IN THE BOOKS OF DEMERGED COMPANY

16.1. The assets and liabilities of the Demerged Undertaking being transferred to the Resulting Company shall be recorded at book values appearing in the books of accounts of the Demerged Company as on the Appointed Date.

16.2. The difference between the value of assets and the value of liabilities transferred by the Demerged Company pursuant to the Scheme shall be appropriated against Securities premium account of the Demerged Company.

16.3. If any disputes arise in connection with the accounting treatment, than companies are required to finalize the same in consultation with their respective statutory auditors in such a manner to fully comply with provisions of Sec 2(19AA) of The Income Tax Act, 1961.

17. Post demerger, it is considered desirable to value various assets and liabilities at its present fair value .For that purpose it is decided to right size the balance sheet

of Demerged Company and Resulting Company.This is with a view to evaluate performance post demerger of both the businesses based on real capital employed.

17.1. **Demerged Company (ECL)**

17.1.1. In the books of account of ECL, immovable properties of Foundry Division as identified by the Board of Directors of ECL shall be revalued at their respective fair value based on the valuation report of Registered Valuer and the excess of such values over their respective book values shall be credited to Business Reconstruction Reserve. Similarly amount to the extent of Rs 100 Lacs from Securities Premium account also should be credited to Business Reconstruction Reserve.Such transfer neither involve the diminution in liability of unpaid share capital nor any payment is proposed to be made to shareholders of the Resulting Company of any of its paid up share capital, the provisions of Section 101 to 103 of the Act shall not have any application and Demerged Company shall not be obliged to comply with the procedures contemplated under Sections 101 to 103 of the Act. Therefore no order under Section 102 of the Act confirming reduction shall be required.

17.1.2. Business Reconstruction Reserve Account so created would be available towards the Expenses (as defined in Clause 17.1.3 hereof) incurred by ECL, until the balance is available in such account. As and when the Board of Directors of ECL determines that a part or whole of the balance remaining in Business Reconstruction Reserve Account is no longer required for setting off any Expenses, then such part or whole of the balance, so determined, can be utilised by ECL to recoup excess depreciation provided due to revaluation as mentioned in Clause 17.1.1.

17.1.3. Expenses for the purposes of above clause means and includes

17.1.3.1. Diminution in value of assets

17.1.3.2. Increase in amount of liabilities

17.1.3.3. Foreign exchange losses whether capitalized or not in accordance with the Accounting Standard-11

17.1.3.4. Expenses incurred for the demerger

17.1.3.5. Such other expenses as may be identified and considered appropriate by the Board of Directors and which are considered extra-ordinary in nature.

17.2. **Resulting Company (FWIL)**

17.2.1. In the books of account of EWIL, immovable properties of Wheel Division as identified by the Board of Directors of EWIL shall be revalued at their respective fair value based on the valuation report of Registered valuer and the excess of such values over their respective book values shall be credited to Business Reconstruction Reserve

17.2.2. Business Reconstruction Reserve Account so created would be available towards the Expenses (as defined in Clause 17.2.3 hereof) incurred by Wheel Division, until the balance is available in such account. As and when the Board of Directors of EWIL determines that a part or whole of the balance remaining in Business Reconstruction Reserve Account is no longer required for setting off any Expenses, then such part or whole of the balance, so determined, can be utilised by EWIL to recoup excess depreciation provided due to revaluation as mentioned in Clause 17.2.1.

17.2.3. Expenses for the purposes of above clause means and includes

17.2.3.1. Diminution in value of assets

17.2.3.2. Increase in amount of liabilities

17.2.3.3. Foreign exchange losses whether capitalized or not in accordance with the Accounting Standard-11

17.2.3.4. Expenses incurred for the demerger

17.2.3.5. Such other expenses as may be identified and considered appropriate by the Board of Directors and which are considered extra-ordinary in nature

PART V- GENERAL TERMS AND CONDITIONS

18. DIVIDEND, BONUS/ RIGHT SHARES

18.1. ECL shall not, except with the consent of the Board of Directors of the EWIL declare and pay dividend whether interim or final to their respective Equity Shareholders in respect of the Accounting Period after the Appointed Date and prior to the Effective Date.

18.2. After the Appointed Date and prior to the Effective Date, ECL shall not, except with the consent of the Board of Directors of the EWIL change its capital structure by issue of new shares by way of Right Bonus shares, warrants, convertible securities or otherwise.

19. APPLICATION TO THE HIGH COURT

19.1. ECL and EWIL shall, with all reasonable dispatch, make applications to the High Court of Judicature at Bombay under Section 391 of the Act, seeking orders for dispensing with or convening, holding and conducting of the meetings of the

respective classes of the members and/ or creditors of each Company as may be directed by the High Court.

19.2. On the Scheme being agreed to by the requisite majorities of the classes of the members and/ or creditors of ECL and EWIL and as may be directed by the High Court, each of the Companies shall with all reasonable dispatch, apply to the High Court for sanctioning the Scheme under Sections 391 to 394 of the Act, and/ or such other order or orders, as the said High Court may deem fit to pass for carrying the Scheme into effect.

20. **SCHEME CONDITIONAL ON APPROVALS / SANCTIONS**

20.1. This Scheme is and shall be conditional upon and subject to:

20.1.1. The requisite consents, approvals or permissions if any of the Central Government or any other Statutory Agencies (including RBI), Stock Exchanges, SEBI which by law may be necessary for the implementation of this Scheme;

20.1.2. The approval by the requisite majorities of the classes of shareholders and creditors of ECL, EWIL as may be directed by the High Court under Section 391 of the Act; and

20.1.3. The sanction of the Scheme by the High Court under Section 391 of the Act and the appropriate Orders being passed by the High Court pursuant to Section 394 of the Act and the filing of the certified copies of such orders with Registrar of Companies of Maharashtra, at Pune.

21. **EFFECT OF NON RECEIPT OF APPROVALS**

In the event of any of the said sanctions and approvals referred to in the preceding Clause not being obtained and/or the Scheme not being sanctioned by the High Court or such other competent authority within such period or periods as may be agreed upon between the Board of Directors of ECL, EWIL (and which the respective Boards of Directors are hereby empowered and authorised to agree to and extend from time to time), this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed, done prior thereto as is contemplated hereunder and which shall be governed and be preserved or worked out as is specifically provided in this Scheme or as may otherwise arise in law.

22. **MODIFICATIONS OR AMENDMENT OF SCHEME**

ECL and EWIL by their respective Directors so nominated in that behalf, may assent to any modification or amendment to this Scheme which the Court and/ or any other authority may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/ or carrying out the Scheme in the best interest of all stake holders and ECL and EWIL by their respective Directors so nominated in that behalf, be and are hereby authorised to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and to resolve any doubts, difficulties or questions whether by reason of any orders of the Court or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and/ or any matters concerning or connected therewith.

23. **CHANGE IN MEMORANDUM OF ASSOCIATION**

EWIL shall take the necessary steps to Increase the Authorised Share Capital, if required, to enable it to issue and allot the shares as provided in Clause 12.1.1 of the Scheme. However, approval of the scheme shall be deemed to be the approval for reclassification and increase of the Authorised Share Capital as may be required.

24. **COSTS, CHARGES AND EXPENSES**

All costs, charges and expenses, including out of pocket expenses, legal expenses and stamp duty as payable after due adjudication of the same takes place, with respect to this Scheme for carrying out and implementing the Scheme and all matters incidental thereto shall be borne by both ECL and EWIL equally.

25. **INDEMNITY**

In the event of non-fulfilment of any or all obligations under this Scheme by any party towards any other party, inter-se or to third parties, the non-performance of which will place any other party under any obligation, then the defaulting party will indemnify all costs and interest to such other affected party.

26. **TAXES AND CREDITS**

26.1. It is clarified that all taxes payable by the Demerged Company, relating to the Demerged Undertaking, from the Appointed Date onwards including all or any refunds and claims shall, for all purposes, be treated as the tax liabilities or refunds and claims of the Resulting Company.

The company operates Foundry Division and Wheel Division (Demerged Undertaking) as single segment and no separate segmental details are prepared or maintained. Considering the same, it is not possible to ascertain loss or depreciation division wise. Hence loss or unabsorbed depreciation shall be carried forward and set off in compliance with sub-section (4) of Section 72A (b) of the Income Tax Act,1961 in proportion of book value of assets of each division on The Appointed Date.

26.2. In accordance with the modvat/ cenvat Rules framed under the Central Excise Act, 1944, as are prevalent on the Effective Date, the unutilized credits relating to excise duties paid on inputs/capital goods lying to the account of the Demerged Undertaking shall subject to compliance with applicable laws and regulations be permitted to be transferred to the credit of the Resulting Company, as if all such unutilized credits were lying to the account of the Resulting Company. The Resulting Company shall accordingly subject to compliance with applicable laws and regulations be entitled to set off all such unutilized credits against the excise duty payable by it.

26.3. Credit for the advance income tax paid by the Demerged Company (relating to the Demerged Undertaking) after the Appointed Date to the tax authorities shall be transferred to the Resulting Company.

26.4. Credit for the fringe benefit tax paid in advance by the Demerged Company(relating to the Demerged Undertaking) after the Appointed Date shall be transferred to the Resulting Company.

PART VI :TRANSFER OBLIGATION OF INDIAN PROMOTERS AND FOREIGN COLLABORATORS

27. <u>TRANSFER OF EQUITY SHARES BETWEEN ENKEI AND THE RAI GROUP</u>

27.1. During the period of two (2) years from the date of listing of the equity shares of the Resulting Company or 31st December 2011 which ever is later , on a recognised Indian stock exchanges AND SUBJECT TO prior mutual written Share Exchange agreement (a) ENKEI shall, transfer, and the Rai Group shall obtain, in one or more transactions such number of equity shares as mutually agreed held by Enkei in the Demerged Company to the Rai Group at the Transfer Amount, and (b) Rai Group shall, transfer, and Enkei shall obtain, in one or more transactions same number of equity shares held by Rai Group in the Resulting Company to Enkei Group at the Transfer Amount.

For the purposes of this Clause "Transfer Amount" means the price per equity share of the Resulting Company or the Demerged Company, as the case may be, on a recognized Stock Exchange where the shares of the Resulting Company and the Demerged Company are listed on the day on which the transfer is made in accordance with applicable Regulations.

27.2. Such transfer of equity shares between Enkei and the Rai Group shall be effected as an integral part of this Scheme and shall enable them to concentrate their resources on, and focus management upon, the business of their respective areas of interest for future growth, namely Enkei on the Alloy Wheel Business and the Rai Group on the Foundry Business. For that purpose, it is necessary to give controlling interest to Enkei in Resulting Company and the Rai group in Demerged Company.

27.3. Such transfer of equity shares, concentration of resources and focused management by the respective parties is to ensure smooth implementation and functioning of this Scheme for the further growth, development and competitiveness of each business which would also enhance shareholder value for the benefit of shareholders of the Demerged Company and the Resulting Company.

28. **MANAGEMENT OF THE RESULTING COMPANY**

On or after Effective Date and on acquisition of management:-

a. The Foreign Collaborators shall be entitled to reconstitute the Board of the Resulting Company subject to all applicable laws, rules and regulations.

b. The Indian Promoters, *(who are also promoters of the Resulting Company)* shall be entitled to nominate one director to the Board of the Resulting Company.

c. All other nominees of Indian Promoters on the Board of the Resulting Company shall tender their resignation from such office.

29. **MANAGEMENT OF THE DEMERGED COMPANY**

On or after Effective Date and on acquisition of management :-

a. The Indian Promoters shall be entitled to reconstitute the Board of the Demerged Company subject to all applicable laws, rules and regulations.

b. The Foreign Collaborators shall be entitled to nominate one director to the Board of the Demerged Company.

c. all other nominees of Foreign Collaborators on the Board of the Demerged Company shall tender their resignation from such office.

30. **EXEMPTED TRANSACTIONS OF INTER SE TRANSFER**

It is clarified that the inter se transfer of the equity shares of both the Resulting Company and The Demerged Company amongst Indian Promoters and the Foreign Collaborators made in terms of Clause 27.1 above shall be pursuant to and is an integral part of this Scheme and such transfer would be exempt under Regulation 3(1)(j)(ii) and Regulation 3(e)(iii)(a) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

TRUE-COPY
20/03/10
M. D. NARVEKAR
COMPANY REGISTRAR
HIGH COURT (O.S.)
BOMBAY

Schedule A: Assets of Demerged Undertaking i.e. Wheel Division

	Asset	Description
A	Fixed Assets	
1	Land at Pune	Land 2 at Gat 1425 village Shikrapur ,Talika Shirur ,Pune 412208 (Area 21469 sq. meter)
2	Land at Pathredi	Plot No Sp 1894, Industrial Area - Pathredi, Dist. - Alwar, Rajasthan (Area 44517 sq. meter -11 Acre)
3	Building	All the buildings on Land 2 i.e. Wheel2, Wheel3 and Foundry4
4	Plant and Machinery &electronic installation	All the plants and machinery belonging to Wheel Division where ever situted including that of Wheel1 and Paint Shop on Land 1 but excluding that of of Foundry4 on land 2
5	Furniture and Fixtures	All the Furniture and fixtures belonging to Wheel Division where ever situted
6	Computers/Softwares	All the computers and softwares belonging to Wheel Division where ever situted
7	Office Equipments	All the office equipments belonging to Wheel Division where ever situted
8	Quality Control Equipments	All the quality control equipments belonging to Wheel Division where ever situted
9	Motor Vehicles	All the motor vehicles belonging to Wheel Division
10	Factory Equipments	All the factory equipments belonging to Wheel Division where ever situted
11	Dies and Patterns	All the dies and patterns belonging to Wheel Division where ever situted
B	Capital Work-in-progress	All Capital Assets in progress belonging to Wheel Division
C	Intangible Assets	All intangible Assets belonging to Wheel Division

Schedule B: Liabilities of Demerged Undertaking i.e. Wheel Division

A	**SECURED LOANS**
1	Car Loan with MUL MH-12-EM-2465
2	Car Loan Ag No 3401982
3	Term Loan from Bank of Tokyo
4	Term Loan from Exim Bank
B	**UNSECURED LOANS**
1	Pre-shipment Working capital
	Working Capital Demand Loan - Mizuho Bank
	Kotak Buyers Credit A/c
2	Group Company Dues -
	Payable to Enkei Thai Co. Ltd
3	External Commercial Borrowing in Foreign Currency
	Enkei Corporation-Japan-(ECB Loan)
	Term Loan - Mizuho Corp Bank (ECB)
4	Share application money
	Share Application money for Preferential Share Capital
C	**CONTINGENT LIABILITIES**
	Liability against Advance and EPCG Licenses for export obligation as mutually decided and any other liability belonging to Wheel Division.

Schedule C: Trademarks, Trade names, Patents of Wheel Division

Sr No	Title	Registration number with Date	Present Status
1	Enkei Trademark	548542	Valid Upto 25th April 2015

Schedule D: Terms of Preference Shares

The terms of above Preference Shares that would be issued in EWIL is as follow (that is in conformity with the provisions of FEMA, 1999 and RBI Guidelines)

Class of Preference Shares	Compulsorily Convertible Preference Shares
Coupon Rate	3% per annum
Period of conversion	At the end of 18 months from the date of issue of Convertible Preference Shares as permitted under chapter VII regulation 75 of Securities and Exchange Board of India(Issue of Capital and Disclosure Requirements) Regulations, 2009 and in compliance of FEMA Regulation.
Relevant Date for Conversion Price.	Thirty days prior to the date on which Convertible Preference Shareholder becomes entitled to Equity Shares.
Conversion Price and Procedure	In compliance with provision chapter VII Regulation 76 sub regulation 1, 2 & 3 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations,2009 and other applicable statutory requirements as applicable on date of conversion.
Lock in Period	Convertible Preference Shares will be locked in for entire tenure of 18 months from date of allotment and will not be listed.The Equity Shares issued pursuant to conversion of Preference Shares will be locked in for a period of 3 years from the date of allotment of Convertible Preference Shares and will be listed on the Stock Exchange wherever Equity Shares of EWIL are listed.
Other	Number of Equity Shares to be issued on conversion of Preference Shares will be in compliance with clause 40A of Listing Agreement of Stock Exchange and balance Preference Shares will be deemed to have been redeemed at par subject to the necessary approval under FEMA Regulation.

FORM OF MINUTES

The Securities Premium Account of Enkei Castalloy Limited is hence forth Rs. 20,02,00,000 reduced from Rs.21,02,00,000

D. NARVEKAR
COMPANY REGISTRAR
HIGH COURT (O.S.)
BOMBAY

IN THE HIGH COURT OF JUDICATURE AT BOMBAY

ORDINARY ORIGINAL CIVIL JURISDICTION

COMPANY SCHEME PETITION NO.14 OF 2010.

CONNECTED WITH

COMPANY APPLICATION NO.1260 OF 2009.

In the matter of the Companies Act I of 1956

AND

In the matter of Section 391 to 394 read with sections 78,100 to 103 of the Companies Act, 1956

AND

In the matter of the Scheme of Arrangement between

ENKEI CASTALLOY LIMITED

AND

ENKEI WHEELS (INDIA) LIMITED

ENKEI CASTALLOY LIMITED

.....PETITIONER

AUTHENTICATED COPY OF ORDER DATED 26th FEBRUARY, 2010 AND SCHEME OF ARRANGEMENT AND FORM OF MINUTES ANNEXED TO PETITION.

26-2-2010

15-3-2010

D.D. Mungekar

20-3-2010

HEMANT SETHI & CO.

ADVOCATE FOR THE PETITIONER

302 SATNAM BUILDING

3-A SION (WEST)

MUMBAI - 400 022.