

SCHEME OF AMALGAMATION

OF

M/s. NATCO PHARMA LIMITED

Transferee Company

WITH

M/s. NATCO ORGANICS LIMITED

Transferor Company

PART – I

DEFINITIONS:

1. In this Scheme unless repugnant to the meaning or context thereof, the following expressions shall have the meanings given to them below:
 - (i) "Act" means the Companies Act, 1956 and any amendments and/or re-enactment thereof, for the time being in force.
 - (ii) "Transferee Company" means M/s. NATCO Pharma Limited, a company incorporated under the Act having its registered office at NATCO House, Road No.2, Banjara Hills, Hyderabad 500033, Telangana.
 - (iii) "Transferor Company" means M/s. NATCO Organics Limited incorporated under the Act having its registered office at New No.37, Old No.18/2, 1st Main Road, CIT Colony, Mylapore, Chennai 600004, Tamil Nadu, India

- (iv) "Appointed Date" means 01.04.2015 or such other date as approved by the Hon'ble High Court of Judicature at Madras.
- (v) "Board" means the board of directors of the Transferor Company or the Transferee Company as the case may be.
- (vi) "Effective Date" means the last of the dates on which sanctions, approvals or orders specified in the scheme are obtained and the certified true copies of the orders of the Hon'ble High Court of Judicature at Madras sanctioning this Scheme are filed with the Registrar of Companies, Tamil Nadu.
- (vii) "Scheme" means the Scheme of Amalgamation between M/s. NATCO Pharma Limited and M/s. NATCO Organics Limited as set out herein or with any modifications approved or imposed or directed by the High Court of Judicature at Madras
- (viii) "Share holder" means a person holding equity shares, who is registered as a member in the Register of Members of the Transferor Company or the Transferee Company as the case may be or whose name appears as the beneficial owner of the equity shares in the records of depository(s) on such dates as specified in the Scheme.
- (ix) "Undertaking of the Transferor Company" includes:-
 - (a) all the assets and properties of the Transferor Company as on the Appointed Date;
 - (b) all debts, liabilities, duties, responsibilities and obligations of the Transferor Company as on the Appointed Date;

Without prejudice to the generality of the above, (i) the assets and properties of the Transferor Company shall include the entire business and all rights, privileges, powers and authorities and all property, movable or immovable, real, corporeal or incorporeal, in possession or reversion, present or contingent of whatever nature and where so ever situated, including fixed assets, capital works in progress, current assets, investment of all kind, approvals, permissions, consents, exemptions, registrations, no-objection certificates and certifications, permits, quotas, rights, entitlements, tenancies, roof rights, trademarks, service marks, know-how, technical know-how, technology, trade names, descriptions, trading style, franchises, labels, label designs, colour schemes, utility models, holograms, bar codes, designs, patents, copyrights, privileges and any rights, title or interest in intellectual property rights, technology, benefits of security arrangements, contracts, agreements and all other rights including lease rights, licenses including those relating to trademarks, or service marks, easements, advantages, exemptions, benefits, powers and facilities of every kind, nature and description whatsoever of the Transferor Company or to which the Transferor Company is entitled including right to use of telephones, telex, facsimile connections and installations, electricity, power lines, communication lines and other services, reserves, deposits, provisions, funds, subsidies, grants, tax credits, and any accretions or additions arising to any of the foregoing after the Appointed Date and (ii) all the debts, liabilities, duties, responsibilities and obligations of Transferor Company shall include

all obligations of whatsoever kind including liabilities for payment of gratuity, provident fund or compensation in the event of retrenchment, sales tax, service tax and other statutory dues.

PART – II

2. References in the Scheme to "upon the Scheme becoming effective" or "effectiveness of the Scheme" shall mean the Effective Date.

A. CAPITAL STRUCTURE

The capital structure of the two companies as are parties to the present Scheme, is as under:

(i) Transferor Company

The capital structure of the Transferor Company as at 31.03.2015 is as follows:

Particulars	Amount (In Rs.)
Authorised 8,00,00,000 Equity Shares of Rs. 10/- each	80,00,00,000
Issued, Subscribed and Paid-up 7,96,93,945 Equity Shares of Rs. 10 each, fully paid-up	79,69,39,450

(ii) Transferee Company

The capital structure of the Transferor Company as at 31.03.2015 is as follows:

Particulars	Amount (In Rs.)
Authorised 40,00,00,000 Equity Shares of Rs. 10/- each	40,00,00,000
Issued, Subscribed and Paid-up 3,32,34,849 Equity Shares of Rs. 10 each, fully paid-up	33,23,48,490

B. OBJECTIVE OF THE SCHEME:

1.1. The Transferor Company and the Transferee Company propose this Scheme for the following reasons:

(i) Consolidation of operations of the Transferor Company and the Transferee Company leading to integrated supply chain, thereby providing further synergies;

(ii) Unified branding of "NATCO" in markets which follow both branded and generics business models thereby leveraging the available infrastructure for strengthening the position in such markets;

(iii) Providing flexibility in the overall organizational structure thereby enabling to achieve operational and management efficiency;

(iv) Realignment of the corporate structure of the NATCO group in line with its business objectives in order to enhance the long term value of the shareholders; and

(v) Harmonization of the product pipeline enabling transfer of products across markets thereby de-risking business profile of the Transferee Company;

C. TRANSFER OF ASSETS

- I. With effect from the Appointed Date and upon the Scheme becoming effective, all the assets and properties, both movable and immovable, investments, rights, Lease, title and interests comprised in the Undertaking of the Transferor Company shall without any further act or deed be transferred to, and vested in, or deemed to have been transferred to, and vested in the Transferee Company so as to

become as and from the Appointed Date, the estate, assets, rights, title and interests of the Transferee Company.

- II. With effect from the Appointed Date and upon the Scheme becoming effective, all rights and licenses relating to trademarks, know-how, technical know-how, technology, trade names, descriptions, trading style, franchises, labels, label designs, colour schemes, utility models, holograms, bar codes, designs, patents, copyrights, privileges and any rights, title or interest in intellectual property rights (including applications submitted to the registration authorities on or before the Effective Date by the Transferor Company), tenancies with the consent of the landlord wherever necessary, powers, facilities of every kind and description of whatsoever nature in relation to the Undertaking of the Transferor Company to which the Transferor Company is a party or to the benefit of which the Transferor Company may be entitled/eligible and which are subsisting or have effect immediately before the Appointed Date, shall be in full force and effect on, or against, or in favour of, the Transferee Company as the case may be, and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto.
- III. In particular, with effect from the Appointed Date and upon the Scheme becoming effective, all licenses, sanctions, consents, authorization approvals and permissions (whether statutory or otherwise) of the Transferor Company pertaining to the conduct of its business (including, without limitation, benefits, remissions, special reservations available to the Transferor Company, under any

income tax, sales tax including any benefits related to the deferment of sales tax) shall vest in the Transferee Company and the concerned licensors and guarantors of such approvals or permissions, shall endorse and record the Transferee Company on such approvals and permissions so as to empower and facilitate the approval and vesting of the Undertaking of the Transferor Company in the Transferee Company without hindrance or let from the Appointed Date.

- IV. All assets and properties as are moveable in nature, or are otherwise capable of transfer by physical delivery or by endorsement and delivery, shall stand so transferred by the Transferor Company, without requiring any deed or instrument of conveyance for the same and shall become the property of the Transferee Company accordingly and such transfer shall be deemed to have taken place at the Registered Office of the Transferee Company.

D.TRANSFER OF LIABILITIES

- I. With effect from the Appointed Date and upon the Scheme becoming effective, all secured and unsecured debts, borrowings, bills payable, interest accrued and all other duties, debts, liabilities, undertakings and obligations of the Transferor Company along with any charge, encumbrance, lien or security thereon (Liabilities) shall, pursuant to the provisions of Sections 391 to 394 and other applicable provisions of the Act, without any further act, instrument or deed, be and stand transferred to and vested in or be deemed to be transferred to and vested in, the Transferee Company so as to become the Liabilities of the Transferee Company from the Appointed Date and further 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 liabilities, duties and obligations have arisen in order to give effect to the provisions of this clause.

- II. To the extent that there are any loans, outstandings or balances due from the Transferor Company to the Transferee Company or vice versa the obligations in respect thereof shall be extinguished upon the merger of interest between the creditor and debtor and corresponding effect shall be given in the books of account and records of the Transferee Company as on the Appointed Date and upon the Scheme becoming effective.

E. ACCOUNTING MATTERS:

With effect from the Appointed Date and upon the Scheme becoming effective, subject to any corrections and adjustments as may in the opinion of the board of directors of the Transferee Company be required, shall account for the amalgamation of Transferor Company, as per the Accounting Standards(AS).

F. SALES TAX/SUBSIDY / OTHER TAX BENEFITS

All the Sales tax/ State subsidy benefits from the Government of Tamil Nadu, given to the Transferor company, such benefits to the extent not utilized, not availed or not received by the Transferor Company shall be transferred to the Transferee Company, without any further act or deed by the Transferee Company, as if they were given to the Transferee Company in the first instance after the Appointed Date.

The Transferee Company is entitled to get reimbursed the Advance taxes paid, if any, by the Transferor Company and any other benefits attracted under provisions of Accounting Standards prevailed under the laws of India and any other origin including but not limited to consolidation of accounts under Income Tax Act, 1961.

G. CONTRACTS

- I. With effect from the Appointed Date and upon the Scheme becoming effective, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Undertaking of the Transferor Company to which the Transferor Company is a party or to the benefit of which the Transferor Company may be entitled/eligible, and which are subsisting or have effect immediately before the Appointed Date, shall be in full force and effect on, or against, or in favour of, the Transferee Company and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto.

- II. For the avoidance of all doubt, it is expressly made clear that the dissolution of the Transferor Company without the process of winding up as contemplated hereafter, shall not affect the previous operation of any contract, agreement, deed or any instrument or the like to which the Transferor Company is a party or is the beneficiary of (as the case may be) and any reference in such agreements, contracts, deeds and instruments to the Transferor Company shall be construed as reference only to the Transferee Company with effect from the Effective Date.

H. LEGAL PROCEEDINGS

On and from the Appointed Date and upon the Scheme becoming effective, all suits, actions and other legal proceedings by or against the Transferor Company under any statute or otherwise, whether pending, or arising, before the Appointed Date shall be continued and enforced by or against the Transferee Company.

I. EMPLOYEES

- I. All permanent employees of the Transferor Company as on the Effective Date shall as from such date, become employees of the Transferee Company in such position, rank and designation as may be determined by the Transferee Company with the benefit of continuity of service and such that the terms and conditions of their employment with the Transferee Company are not less favorable than those applicable to them as employees of the Transferor Company on such date. With regard to provident fund, gratuity fund, or any other special fund created or existing for the benefit of such employees of the Transferor Company, from the Effective Date the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever in relation to the administration or operation of such fund or funds and the obligation to make contributions to the said fund or funds in accordance with the provisions thereof as per the terms provided in the respective trust deeds or other documents provided that if the Transferee Company considers it desirable for the smooth administration, management, operation and uniformity of such funds, the same may be merged with similar funds of the Transferee Company. It is the aim and intent of the Scheme that all the rights, duties, powers and obligations of the Transferor Company in relation to such schemes or funds shall

become those of the Transferee Company. It is clarified that the services of the employees of the Transferor Company will be treated as having been continuous for the purpose of the aforesaid schemes, funds and trusts.

- II. In the event that trustees are constituted as holders of any securities, trust funds or trust monies, in relation to any provident fund trust, gratuity trust of the Transferor Company, such funds shall be transferred by such trustees of the trusts of the Transferor Company, to separate trusts and the trustees of the Transferee Company set up for the same purpose and object and shall be deemed to be a transfer of trust property from one set of trustees to another set of trustees in accordance with the provisions of the relevant labour laws, Indian Trusts Act 1882, and the Income Tax Act, 1961 and relevant stamp legislations as applicable provided that if the Transferee Company considers it desirable for the smooth administration, management, operation and uniformity of such trusts of the Transferor Company, the same may be merged with similar trusts of the Transferee Company. Appropriate deeds of trusts and/or documents for transfer of trust properties shall be simultaneously executed upon the sanction of the Scheme in accordance with the terms hereof by the trustees of such trusts in favour of the trusts of the Transferee Company so as to continue the benefits of the employees. The provident fund trust, gratuity trust of the Transferor Company shall continue to hold such securities, trust funds and/or trust monies as hitherto fore, till such time as the transfer to the trustees of the Transferee Company employee trusts is made.
- III. The Transferee Company undertakes to continue to abide by any agreement(s)/settlement(s) entered into by the Transferor Company with any

employees of the Transferor Company. The Transferee Company agrees that for the purpose of payment of any retrenchment, compensation, gratuity and other terminal benefits, the past services of such employees with the Transferor Company shall also be taken into account, and agrees and undertakes to pay the same as and when payable.

J. BUSINESS AND PROPERTY IN TRUST FOR THE TRANSFEEE COMPANY

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

(a) The Transferor Company shall carry on its business activities with reasonable diligence and business prudence and shall conduct its business in the ordinary course consistent with past practice.

(b) Until the Effective Date and subject to such consents as may be necessary:

(i) the Transferor Company shall carry on and be deemed to have carried on its business and activities and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Undertaking of the Transferor Company on account of and in trust for the Transferee Company;

(ii) all the profits or incomes accruing or arising to the Transferor Company or expenditure or losses incurred by the Transferor Company shall for all purposes be treated and be deemed to be and accrue as profits or incomes or expenditure or losses of the Transferee Company;

(iii) the Transferor Company shall not, without the written consent of the Transferee Company, undertake any new business.

(iv) the Transferor Company shall not vary the terms and conditions of employment of their employees without the written consent of the Transferee Company.

PART - III

3. CONSIDERATION

The Transferor Company is a wholly owned subsidiary of the Transferee Company and the entire Share Capital is held by the Transferee Company only. Accordingly there would be no issue of equity shares of the Transferee Company to the shareholders of the Transferor Company. Pursuant to the vesting of the undertaking in the Transferee Company the equity shares of the Transferor Company shall automatically stand cancelled and extinguished. Towards consideration necessary entries will be passed in the books of accounts to reflect the investments made in the transferor company in an appropriate manner in consultation with the statutory auditors of the company.

4. DISSOLUTION OF THE TRANSFEROR COMPANY

With effect from the Appointed Date and upon the Scheme becoming effective the Transferor Company shall stand dissolved without being wound up.

5. APPROVALS AND MODIFICATIONS

(a) The Transferor Company and the Transferee Company may jointly assent from time to time on behalf of all persons concerned to any modifications or amendments or additions to the Scheme or to any conditions or limitations which the High Court of Judicature at Madras and/or the other competent authorities, if any, under any law,

may deem fit and approve of or impose and which the Transferor Company and the Transferee Company may in their discretion deem fit and may resolve all doubts or difficulties that may arise for carrying out the Scheme and do and execute all acts, deeds, matters and things necessary for bringing the Scheme into effect. The aforesaid powers of the Transferor Company and the Transferee Company may be exercised by their respective board of directors, a committee(s) of the concerned board or any director or any authorised person (hereafter referred as the "delegates").

(b) For the purpose of giving effect to the Scheme or any modifications or amendments thereof or additions thereto the delegate(s) of the Transferor Company and Transferee Company may jointly give and are hereby authorized to determine and give all such directions as are necessary including directions for settling or removing any difficulties, as the case may be, which shall be binding on all parties in the same manner as if the same were specifically incorporated in the Scheme.

(c) After the dissolution of the Transferor Company the Transferee Company acting through its board of directors or other persons, duly authorized by its board in this regard, shall be authorized, to take such steps, as may be necessary, desirable or proper to resolve any doubts, difficulties or questions that may arise, whether by reasons of any order of the High Court of Judicature at Madras or of any directive or order of any other authorities or otherwise, in connection with this Scheme and/or matters concerning or connected therewith.

(d) If any part of this Scheme hereof is ruled illegal or invalid by, or is not sanctioned by, any High Court, or is unenforceable under present or future laws, then it is the

intention of the parties that such part shall be severable from the remainder of the Scheme, and the 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 parties shall attempt to bring about a modification in the Scheme, as will best preserve for the parties the benefits and obligations of the Scheme, including but not limited to such part.

6. SCHEME CONDITIONAL UPON

This Scheme is conditional upon:

- a) the approval of public shareholders of the Transferee Company through e-voting and postal ballot and shall be acted upon only if the votes cast by the public shareholders in favor of the proposal are more than the number of votes cast by the public shareholders against it;
- b) the approval of members of the Transferor Company; and
- c) the sanction of the Scheme by the High Court of Judicature at Madras under Sections 391 to 394 of the Act and other applicable provisions of the Act, rules and regulations made therein, as the case may be;

7. COSTS, CHARGES AND EXPENSES

Upon the Scheme becoming effective, all costs, charges, taxes including levies and all other expenses, if any, of the Transferor Company and the Transferee Company arising out of/or incurred after the Effective Date for carrying out and implementing the Scheme and matters incidental thereto, shall be borne and paid by the Transferee Company (save as otherwise expressly agreed).

8. SANCTION AND APPROVALS NOT FORTHCOMING

In the event any of the approvals or conditions enumerated in the Scheme not being obtained or complied with, or for any other reason, the Scheme cannot be implemented, the Board of Directors of the Transferee Company and the Transferor Company shall mutually waive such conditions as they consider appropriate to give effect, as far as possible, to this Scheme and failing such mutual agreement, or in case the Scheme is not sanctioned by the High Court, the Scheme shall become null and void and each party shall bear and pay their respective costs, charges and expenses in connection with the Scheme.