

HIGH COURT, BOMBAY 0248175

IN THE HIGH COURT OF JUDICATURE AT BOMBAY

ORDINARY ORIGINAL CIVIL JURISDICTION

COMPANY SCHEME PETITION NO 338 OF 2010

CONNECTED WITH

COMPANY SUMMONS FOR DIRECTION NO 338 OF 2010

PANTALOON RETAIL (INDIA) LIMITED

.....Petitioner / Demerged Company

COMPANY SCHEME PETITION NO 339 OF 2010

CONNECTED WITH

COMPANY SUMMONS FOR DIRECTION NO 339 OF 2010

FUTURE MALL MANAGEMENT LIMITED

..... Petitioner / the Resulting Company No 1

COMPANY SCHEME PETITION NO 340 OF 2010

CONNECTED WITH

COMPANY SUMMONS FOR DIRECTION NO 340 OF 2010

FUTURE MERCHANDISING LIMITED

..... Petitioner / the Resulting Company No 2

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

AND

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

AND

HIGH COURT, BOMBAY 0248176

2

In the matter of Scheme of
Arrangement

Between

Pantaloon Retail (India) Limited
(‘PRIL’ or ‘the Demerged
Company’)

And

Future Mall Management Limited
(‘FMML’ or ‘the Resulting
Company No 1’)

And

Future Merchandising Limited
(‘FML’ or ‘the Resulting Company
No 2’)

And

their respective Shareholders
and Creditors

Mr. Janak Dwarkadas, Mr. Virag Tulzapurkar, Senior Counsels
with Ms Alpana Ghone and Mr. Ankit Lohla i/b M/s. Rajesh Shah
& Co., Advocates for the Petitioners.

Mr. C J. Joy with Mr. Vishwajit P. Sawant i/b S.K. Mohapatra for
Regional Director in all the Petitions.

CORAM : S. J. Kathawalla, J.

DATE : 24th August, 2010

PC:

HIGH COURT, BOMBAY 0248177

3


1. Heard learned counsels for the parties.
2. The sanction of the Court is sought under Sections 391 to 394 read with sections 78, 100 to 103 of the Companies Act, 1956, to the Scheme of Arrangement between Pantaloon Retail (India) Limited ('PRIL or 'the Demerged Company') and Future Mall Management Limited ('FMML' or 'the Resulting Company No 1') and Future Merchandising Limited ('FML' or 'the Resulting Company No 2') and their respective Shareholders and Creditors ("the Scheme").
3. The Counsel for the Petitioner Companies state that the said Scheme is presented for demerger of Mall Management Undertaking and Project Management Undertaking of Pantaloon Retail (India) Limited and vesting in Future Mall Management Limited and demerger of Mall Asset Management Undertaking and Food Services Undertaking of Pantaloon Retail (India) Limited and vesting in Future Merchandising Limited and also for various other matters consequential, incidental or otherwise integrally connected therewith. The Counsel further states that the Petitioner Companies have

HIGH COURT, BOMBAY 0248178

4

complied with all requirements as per directions of this Court and they have filed necessary affidavits of compliance in the Court. Moreover, Petitioner Companies through their Counsel undertake to comply with all statutory requirements, if any, as required under the Companies Act, 1956 and the Rules made there under. The said undertaking is accepted.

4. The Regional Director has filed its Affidavit stating therein that save and except as stated in paragraphs 6 (a) to (d) of the said Affidavit, the Scheme does not appear to be prejudicial to the interest of shareholders and public. The paragraphs 6(a) to (d) of the said read thus:



"(a) The present authorized share capital of the First Resulting Company is Rs. 5 lacs only. As per the Scheme the first Resulting Company has to issue more than Rs. 1 crore value of equity shares. Hence the First Resulting Company has to increase its authorized capital suitably to that effect. Hence the First Resulting Company may be directed to comply with the provisions of section 94/97 read with Schedule X of the Companies Act, 1956 while increasing its authorized capital.

HIGH COURT, BOMBAY 0248179

5

(b) *The Scheme may be approved by this Hon'ble High Court subject to the condition that as stated in Clause No. 8.1.6 of the scheme the new shares proposed to be issued by the First Resulting Company are listed in the respective stock exchanges in which the shares of the Demerged Company are listed.*


(c) *The Demerged Company was inspected under section 209A of the Companies Act, 1956 by the Ministry of Corporate Affairs during the year 2007 and pointed out various violations like 259/257/212/310(4 counts) 217(2)(a)/217(1)(e)/211(5)(5 counts) 215/147 and 113 of the Companies Act, 1956. The Directors of the Demerged Company have filed compounding applications under section 621A of the Companies Act, 1956 in respect of violation of section 212 of the Companies Act, 1956 and the same is pending for consideration before the appropriate authority. As regards other violations committed by the Demerged Company, reply has been submitted by the company in response to SGN issued by Registrar of Companies, Mumbai and the same is pending before the appropriate authority for further consideration and directions. In this connection liberty may be granted to the Registrar of Companies/Regional Director/Ministry of Corporate Affairs to initiate*

HIGH COURT, BOMBAY 0248180

6

necessary penal action against the company and its Directors if the said violations are established against the company and its directors.

(d) The Demerged Company in the present scheme of arrangement is also a party in another scheme of arrangement in company scheme petition No. 341 and 342 of 2010. If the present scheme is being approved by this Hon'ble High Court, the same can be given effect to only after giving effect of that scheme at the first instance by the Demerged Company herein."

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5. The Petitioner Companies have filed their respective affidavits all dated 16th day of August, 2010 in reply to the above issues raised by the Regional Director.
 6. As regards to the objection at paragraph 6(a) of the Regional Director's Affidavit is concerned, the Resulting Company No. 1 in paragraph 3 of its affidavit has undertaken to comply with the provisions of section 94/97 read with Schedule X of the Companies Act 1956, while increasing its authorised share capital in respect of filing of necessary forms with the Registrar of Companies after payment of necessary fees and stamp duty as applicable on the said forms. The said undertaking is accepted.

HIGH COURT, BOMBAY 0248181

7

7. As regards to the objection at paragraph 6(b) of the Regional Director's Affidavit is concerned, the Resulting Company No. 1 in paragraph 5 of its affidavit has undertaken to list the equity shares, to be issued to the shareholders of the Demerged Company, on the stock exchanges on which the shares of the Demerged Company are listed as mentioned in Clause 8.6 of the Scheme. The said undertaking is accepted.
8. As regards to the objection at paragraph 6(c) of the Regional Director's Affidavit is concerned, the liberty is granted to the Registrar of Companies / Regional Director / Ministry of Corporate Affairs to initiate necessary penal action against the Demerged Company and its Directors if the said violations are established against the Demerged Company and its directors.
9. As regards to the objection at paragraph 6(d) of the Regional Director's Affidavit is concerned, the Demerged Company, Resulting Company No.1 and the Resulting Company No. 2 in paragraph 3, 7 and 3 of their respective affidavits have given an undertaking that the present scheme would be effected only after giving effect at the

HIGH COURT, BOMBAY 0248182

8

first instance to another Scheme of Arrangement wherein the Demerged Company i.e. the Petitioner Company in Company Scheme Petition No. 342 of 2010 is also a Party.

10. The Counsel for the Petitioner Companies state that the some creditors viz. M/s Featherlite Office Systems Private Limited, M/s Servo Tech Electricals Private Limited, Mr. Ashok Kumar Lalwani, Mr. Kamal Lalwani, Mr. Anand Kumar Chaurasia, Mrs. Chanda Chaurasia, Ms. Vinita Chaurasia, Ms. Parul Chaurasia, and Mr. Kamal Kishore Chaurasia, of the Demerged Company had appeared before the Court at the earlier occasion and/or written letters to the Demerged Company expressing their objections to the proposed Scheme. The Counsel further states that the Demerged Company has now received "No Objection Letters" from all the said creditors and that copies of all the said letters have been annexed to the Affidavit dated 16th August, 2010 filed by the Demerged Company.

11. From the material on record, the Scheme appears to be fair and reasonable and is not violative of any provisions of law and is not contrary to public policy. None of the

HIGH COURT, BOMBAY 0248183

9

parties concerned has come forward to oppose the Scheme except as mentioned in paragraph 10 herein above.

12. Since all the requisite statutory compliances have been fulfilled, Company Scheme Petition No. 338 of 2010, 339 of 2010 and 340 of 2010 filed by the Demerged Company, Resulting Company No 1 and the Resulting Company No. 2 respectively are made absolute in terms of prayer clauses (a) to (c) of the respective petitions. The Scheme is sanctioned subject to the undertaking given by Petitioner Companies in their affidavit that the current scheme can be given effect only after giving effect to the another Scheme, i.e. lodged in Company Scheme Petition No. 341 of 2010 and 342 of 2010 at the first instance of the Demerged Company herein. The Counsel also states that except the said creditors hereinabove, no other creditors who have come forward to oppose the Scheme. The Demerged Company and the Resulting Company No. 1 are granted liberty to present form of minutes for cancellation of Share Capital and reduction of Securities Premium Account as per Clause 5.1 (iii) and 9.1 (iii) of the Scheme,



HIGH COURT, BOMBAY 0248184

10

as per the averment made in company Scheme Petitions
338 of 2010 and 339 of 2010.

13. The Petitioner Companies to lodge a copy of this order and the Scheme, duly authenticated by the Company Registrar, High Court, Bombay with the concerned Superintendent of Stamps, for the purpose of adjudication of stamp duty payable, if any, on the same within 60 days from the date of the Order.
14. The Petitioner Companies in all the Company Scheme Petitions to pay costs of Rs10,000/- each to the Regional Director, Western Region, Mumbai. Costs to be paid within four weeks from today.
15. Filing and issuance of the drawn up order is dispensed with.
16. All concerned authorities to act on a copy of this order along with Scheme duly authenticated by the Company Registrar, High Court, Bombay.

(S. J. Kathawalla, J.)

TRUE-COPY

M. D. Narvekar
20/08/10
M. D. NARVEKAR
COMPANY REGISTRAR
HIGH COURT (O.S.)
BOMBAY

TRUE COPY

M. D. Narvekar
25/8/10
Section Officer
High Court, Appellate Side
Bombay

SCHEME OF ARRANGEMENT

BETWEEN

PANTALOON RETAIL (INDIA) LIMITED

...PRIL

AND

FUTURE MALL MANAGEMENT LIMITED

...FMML

AND

FUTURE MERCHANDISING LIMITED

...FML

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS



PREAMBLE

1. This Scheme of Arrangement (the 'Scheme') is presented under Sections 391 to 394 read with sections 78 and 100-103 of the Companies Act, 1956, for demerger of Mall Management Undertaking and Project Management Undertaking (as defined hereinafter) of Pantaloon Retail (India) Limited ('PRIL' or the 'Demerged Company') and vesting in Future Mall Management Limited ('FMML') and demerger of Mall Asset Management Undertaking & Food Services Undertaking (as defined hereinafter) of PRIL and vesting in Future Merchandising Limited ('FML') and
2. This Scheme also provides for various other matters consequential, incidental or otherwise integrally connected therewith.

Parts of the Scheme:

The Scheme is divided into following parts:

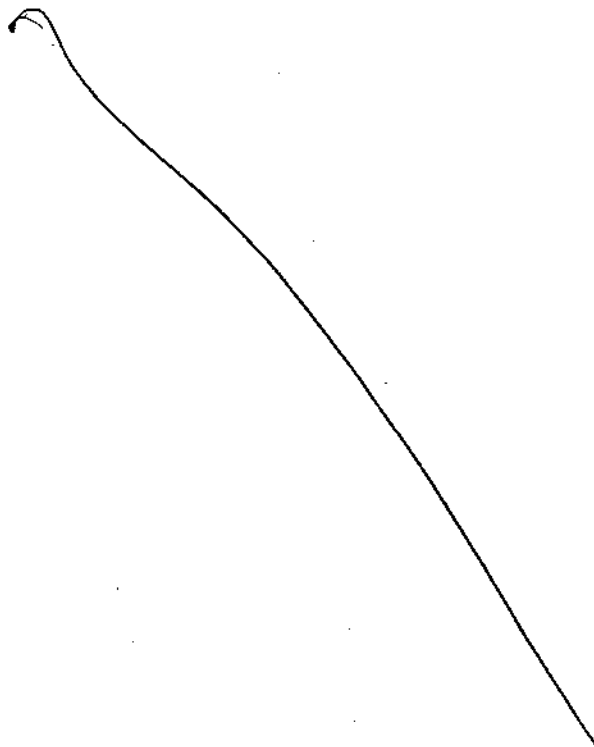
- (a) PART 1 provides the Rationale for the Scheme.
- (b) PART 2 deals with the Definitions and Share Capital.
- (c) PART 3 deals with the Demerger of Mall Management Undertaking and Project Management Undertaking of PRIL into FMML.
- (d) PART 4 deals with the Demerger of Mall Asset Management Undertaking & Food Services Undertaking of PRIL into FML.
- (e) PART 5 deals with the General Clauses, Terms and Conditions that will be applicable to the Scheme.



PART 1

RATIONALE FOR THE SCHEME

1. PRIL is one of India's leading retailers that together with its subsidiaries and associate companies operate multiple retail formats in both the value and life style segments of the Indian consumer market. PRIL along with its subsidiaries/associate companies operate over 14 Million Square Feet of retail space, has over 730 stores across 71 cities in India and employs over 30,000 people. PRIL's leading formats along with its subsidiaries include Pantaloons, Central, Brand Factory, Big Bazaar, Food Bazaar, Blue Sky, aLL, Health Village, Ethnicity and Star & Sitara..
2. FMML is a wholly owned subsidiary of PRIL and has been incorporated to carry on the business of managing and maintaining malls, and to operate as a contractor, building, land and estate agent, and a land developer. FMML also proposes to commence activities in the Project Management. FMML is also proposing to change its main object clause to enable it to carry on the proposed additional activities.
3. FML is subsidiary of Future Mall Management Limited. The Company proposes to commence its activities in the business of taking of bulk leasing of mall and shopping properties and do sub-leasing to the various retailers and mall operators. FML also proposes to commence business in Food Services as defined hereafter. FML is also proposing to change its main object clause to enable it to carry on the proposed activities.
4. The Scheme proposes to demerge Mall Management Undertaking & Project Management Undertaking of PRIL into FMML and demerge the Mall Asset Management Undertaking & Food Services Undertaking of PRIL into FML thereby unlocking the shareholders value and at the same time enable growth of these undertakings as separate businesses and enabling PRIL to continue its pure retail play.



PART 2

DEFINITIONS & SHARE CAPITAL

1 DEFINITIONS

In this Scheme (as defined hereunder), unless repugnant to the context thereof, the following expressions shall have the following meaning:

- 1.1 **"Act" or "The Act"** means the Companies Act, 1956, and includes any statutory modification or re-enactment thereof or amendments thereto for the time being in force.
- 1.2 **"Appointed Date"** means 1st day of April, 2010 or such other date as may be approved by the High Court of Judicature at Bombay or such other competent authority as may be applicable.
- 1.3 **"Court" or "High Court" or "Hon'ble High Court"** means the High Court of Judicature at Bombay and shall include the National Company Law Tribunal, if and when applicable.
- 1.4 **"Effective Date"** means the last of the dates on which the certified copy of the Scheme of the High Court of Judicature at Bombay sanctioning the Scheme of Arrangement is filed by PRIL, FMML and FML with the Registrar of Companies, Mumbai, Maharashtra.
- 1.5 **"FML"** means Future Merchandising Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Knowledge House, Shyam Nagar, Off Jogeshwari - Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060.
- 1.6 **"FMML"** means Future Mall Management Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Knowledge House, Shyam Nagar, Off Jogeshwari - Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060.
- 1.7 **"Food Services Undertaking"** means the business of managing food court in the various malls being undertaken by PRIL, which includes without limitation:
 - (a) Assets and Rights of all kinds or description (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible) wherever situated pertaining thereto;
 - (b) All present and future liabilities arising out of the activities or operations of Food Services division of PRIL including loans, debts, current liabilities and provisions, duties and obligations relatable or attributable to the Food Services division of PRIL as taken over by PRIL from its associate company;
 - (c) Without prejudice to the generality of the provisions of sub-clause 1.7(a) & (b) above, the Food Services division of PRIL shall include in particular:

- (i) all properties of the Food Services division of PRIL wherever situated, including all fixed assets, machinery, investments, current assets, offices, furniture, fixtures, office equipment, appliances, accessories, vehicles
- (ii) all debts, liabilities, duties and obligations and also including, without limitation, permits, quotas, rights, contracts, agreements, arrangements, entitlements, bids, tenders, letters of intent, expressions of interest, municipal and other statutory permissions, approvals, consents, licenses and/or registrations, subsidies, concessions, exemptions, remissions, tax deducted at source, tax deferrals, tax credits, tenancies in relation to office, goodwill, intellectual property, investment, cash balances, the benefit of any advance or deposit, financial assets, funds belonging to or proposed to be utilized for the Food Services division of PRIL, bank balances and bank accounts relating to the day to day operations and specific to the working of Food Services division of PRIL, privileges, all other rights and benefits, license or lease rights, tenancies and/or other rights, title or interests in relation to the properties and/or agreements, patents, trade marks, domain names, copyrights, trade name and other intellectual property rights of any nature whatsoever and licenses in respect thereof, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephone, telexes, computers and data processing machines, facsimile connection and installations, utilities, power lines, electricity and other services, provisions, funds, benefits of all agreements, subsidies, grants and incentive schemes formulated by Central or State Government, if any, contracts and arrangements and all other interest in connection with or relating to the Food Services division of PRIL;
- (iii) all records, files, papers, computer programs, software programs, software designs, packaged, customized or otherwise, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former clients and suppliers, customer credit information, customer transaction details, transaction records, clients pricing information, and other records and all other interests of whatsoever nature and wheresoever situate belonging to or in the ownership, power, possession and in the control of or vested in or granted in favour of or held for the benefit of or enjoyed by PRIL, whether in physical form

or electronic form, in connection with or relating to the Food Services division of PRIL;

(iv) all employees of PRIL employed in and / or relatable to the Food Services division of PRIL;

(v) all advance monies, earnest monies and/or security deposits, if any, paid or received by PRIL in connection with or relating to the Food Services division of PRIL;

(vi) For the purpose of this Scheme, it is clarified that liabilities pertaining to Food Services division include and shall be transferred in the manner as defined in Section 2(19AA) of the Income Tax Act, 1961 as follows:

- a. The liabilities debts/obligations at the close of business on the day immediately preceding the Appointed Date which arise out of the activities or operations of the said undertaking;
- b. Specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the said undertaking at the close of business on the day immediately preceding the Appointed Date; and
- c. General/ multipurpose borrowings at the close of business on the day immediately preceding the Appointed Date to be allocated in the ratio of the book value of Food Services division's assets transferred to the total book value of the assets of PRIL

Explanation: In case of any doubt regarding whether any particular activity, asset or liability forms a part of the Food Services division of PRIL or otherwise, the same shall be decided/ resolved mutually by the Board of Directors of PRIL and FML.

1.8 "Mall Asset Management Undertaking" means the business of management of mall related assets of PRIL which includes without limitation:

- (a) Assets and Rights of all kinds or description (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible) wherever situated pertaining thereto;
- (b) All present and future liabilities arising out of the activities or operations of Mall Asset Management business of PRIL including loans, debts, current liabilities and

provisions, duties and obligations relatable or attributable to the Mall Asset Management Undertaking of PRIL;

(c) Without prejudice to the generality of the provisions of sub-clause 1.8(a) & (b) above, the Mall Asset Management Undertaking of PRIL shall include in particular:

- (i) all properties of the Mall Asset Management Undertaking of PRIL wherever situated, including all fixed assets, machinery, investments, current assets, offices, furniture, fixtures, office equipment, appliances, accessories, vehicles;
- (ii) all debts, liabilities, duties and obligations and also including, without limitation, permits, quotas, rights, contracts, agreements, arrangements, entitlements, bids, tenders, letters of intent, expressions of interest, municipal and other statutory permissions, approvals, consents, licenses and/or registrations, subsidies, concessions, exemptions, remissions, tax deducted at source, tax deferrals, tax credits, tenancies in relation to office, goodwill, intellectual property, investment, cash balances, the benefit of any advance or deposit, financial assets, funds belonging to or proposed to be utilized for the Mall Asset Management Undertaking of PRIL, bank balances and bank accounts relating to the day to day operations and specific to the working of Mall Asset Management Undertaking of PRIL, privileges, certain rights and benefits in the license and / or lease rights or tenancies and/or other rights in relation to the mall properties and/or improvements in these properties, patents, trade marks, domain names, copyrights, trade name and other intellectual property rights of any nature whatsoever and licenses in respect thereof, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephone, telexes, computers and data processing machines, facsimile connection and installations, utilities, power lines, electricity and other services, provisions, funds, benefits of all agreements, subsidies, grants and incentive schemes formulated by Central or State Government, if any, contracts and arrangements and all other interest in connection with or relating to the Mall Asset Management Undertaking of PRIL;
- (iii) all records, files, papers, computer programs, software programs, software designs, packaged, customized or otherwise, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former clients

and suppliers, customer credit information, customer transaction details, transaction records, clients pricing information, and other records and all other interests of whatsoever nature and wheresoever situate belonging to or in the ownership, power, possession and in the control of or vested in or granted in favour of or held for the benefit of or enjoyed by PRIL, whether in physical form or electronic form, in connection with or relating to the Mall Asset Management Undertaking of PRIL;

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- (iv) all employees of PRIL employed in and / or relatable to the Mall Asset Management Undertaking of PRIL;
- (v) all advance monies, earnest monies and/or security deposits, if any, paid or received by PRIL in connection with or relating to the Mall Asset Management Undertaking of PRIL;
- (vi) For the purpose of this Scheme, it is clarified that liabilities pertaining to Mall Asset Management Undertaking include and shall be transferred in the manner as defined in Section 2(19AA) of the Income Tax Act, 1961 as follows:
- a. The liabilities debts/obligations at the close of business on the day immediately preceding the Appointed Date which arise out of the activities or operations of the said undertaking;
 - b. Specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the said undertaking at the close of business on the day immediately preceding the Appointed Date; and
 - c. General/ multipurpose borrowings at the close of business on the day immediately preceding the Appointed Date to be allocated in the ratio of the book value of Mall Asset Management Undertaking's assets transferred to the total book value of the assets of PRIL

Explanation: In case of any doubt regarding whether any particular activity, asset or liability forms a part of the Mall Asset Management Undertaking of PRIL or otherwise, the same shall be decided/ resolved mutually by the Board of Directors of PRIL and FML.

1.9 "Mall Management Undertaking" means the business of providing service for enhancing value of the mall, increasing footfalls and ambience of the mall and other

management of malls for day to day running of malls, of PRIL which includes without limitation:

- (a) Assets and Rights of all kinds or description (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible) wherever situated pertaining thereto;
- (b) All present and future liabilities arising out of the activities or operations of Mall Management division of PRIL including loans, debts, current liabilities and provisions, duties and obligations relatable or attributable to the Mall Management division of PRIL;
- (c) Without prejudice to the generality of the provisions of sub-clause 1.9(a) & (b) above, the Mall Management division of PRIL shall include in particular:
 - (i) all properties of the Mall Management division of PRIL wherever situated, including all fixed assets, machinery, investments, current assets, offices, furniture, fixtures, office equipment, appliances, accessories, vehicles
 - (ii) all debts, liabilities, duties and obligations and also including, without limitation, permits, quotas, rights, contracts, agreements, arrangements, entitlements, bids, tenders, letters of intent, expressions of interest, municipal and other statutory permissions, approvals, consents, licenses and/or registrations, subsidies, concessions, exemptions, remissions, tax deducted at source, tax deferrals, tax credits, tenancies in relation to offices, goodwill, intellectual property, investment, cash balances, the benefit of any advance or deposit, financial assets, funds belonging to or proposed to be utilized for the Mall Management division of PRIL, bank balances and bank accounts relating to the day to day operations and specific to the working of Mall Management division of PRIL, privileges, all other rights and benefits, license or lease rights, tenancies and/or other rights, title or interest in relation to the properties and/or agreements, patents, trade marks, domain names, copyrights, trade name and other intellectual property rights of any nature whatsoever and licenses in respect thereof, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephone, telexes, computers and data processing machines, facsimile connection and installations, utilities, power lines, electricity and other services, provisions, funds, benefits of all



agreements, subsidies, grants and incentive schemes formulated by Central or State Government, if any, contracts and arrangements and all other interest in connection with or relating to the Mall Management division of PRIL;

(iii) all records, files, papers, computer programs, software programs, software designs, packaged, customized or otherwise, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former clients and suppliers, customer credit information, customer transaction details, transaction records, clients pricing information, and other records and all other interests of whatsoever nature and wheresoever situate belonging to or in the ownership, power, possession and in the control of or vested in or granted in favour of or held for the benefit of or enjoyed by PRIL, whether in physical form or electronic form, in connection with or relating to the Mall Management division of PRIL;

(iv) all employees of PRIL employed in and / or relating to the Mall Management division of PRIL;

(v) all advance monies, earnest monies and/or security deposits, if any, paid or received by PRIL in connection with or relating to the Mall Management division of PRIL;

(vi) For the purpose of this Scheme, it is clarified that liabilities pertaining to Mall Management division include and shall be transferred in the manner as defined in Section 2(19AA) of the Income Tax Act, 1961 as follows:

- a. The liabilities debts/obligations at the close of business on the day immediately preceding the Appointed Date which arise out of the activities or operations of the said undertaking;
- b. Specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the said undertaking at the close of business on the day immediately preceding the Appointed Date; and
- c. General/ multipurpose borrowings at the close of business on the day immediately preceding the Appointed Date to be allocated in the ratio of the

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book value of Mall Management division's assets transferred to the total book value of the assets of PRIL

Explanation: In case of any doubt regarding whether any particular activity, asset or liability forms a part of the Mall Management division of PRIL or otherwise, the same shall be decided/ resolved mutually by the Board of Directors of PRIL and FMML.

1.10 "Project Management Undertaking" means the business of providing turnkey solutions and encompasses development and execution of the retail outlet design, related assets of PRIL which includes without limitation:

- (a) Assets and Rights of all kinds or description (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible) wherever situated pertaining thereto;
- (b) All present and future liabilities arising out of the activities or operations of Project Management division of PRIL including loans, debts, current liabilities and provisions, duties and obligations relatable or attributable to the Project Management division of PRIL;



(c) Without prejudice to the generality of the provisions of sub-clause 1.10(a) & (b) above, the Project Management Undertaking of PRIL shall include in particular:

- (i) all properties of the Project Management division of PRIL wherever situated, including all fixed assets, machinery, investments, current assets, offices, furniture, fixtures, office equipment, appliances, accessories, vehicles;
- (ii) all debts, liabilities, duties and obligations and also including, without limitation, permits, quotas, rights, contracts, agreements, arrangements, entitlements, bids, tenders, letters of intent, expressions of interest, municipal and other statutory permissions, approvals, consents, licenses and/or registrations, subsidies, concessions, exemptions, remissions, tax deducted at source, tax deferrals, tax credits, tenancies in relation to office, goodwill, intellectual property, investment, cash balances, the benefit of any advance or deposit, financial assets, funds belonging to or proposed to be utilized for the Project Management division of PRIL, bank balances and bank accounts relating to the day to day operations and specific to the working of Project Management division of PRIL, privileges, certain rights and benefits in the license and / or lease rights or tenancies and/or other

rights in relation to the mall properties and/or improvements in these properties; patents, trade marks, domain names, copyrights, trade name and other intellectual property rights of any nature whatsoever and licenses in respect thereof, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephone, telexes, computers and data processing machines, facsimile connection and installations, utilities, power lines, electricity and other services, provisions, funds, benefits of all agreements, subsidies, grants and incentive schemes formulated by Central or State Government, if any, contracts and arrangements and all other interest in connection with or relating to the Project Management division of PRIL;

- (iii) all records, files, papers, computer programs, software programs, software designs, packaged, customized or otherwise, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former clients and suppliers, customer credit information, customer transaction details, transaction records, clients pricing information, and other records and all other interests of whatsoever nature and wheresoever situated belonging to or in the ownership, power, possession and in the control of or vested in or granted in favour of or held for the benefit of or enjoyed by PRIL, whether in physical form or electronic form, in connection with or relating to the Project Management division of PRIL;
- (iv) all employees of PRIL employed in and / or relatable to the Project Management division of PRIL;
- (v) all advance monies, earnest monies and/or security deposits, if any, paid or received by PRIL in connection with or relating to the Project Management division of PRIL;
- (vi) For the purpose of this Scheme, it is clarified that liabilities pertaining to Project Management division include and shall be transferred in the manner as defined in Section 2(19AA) of the Income Tax Act, 1961 as follows:
 - a. The liabilities debts/obligations at the close of business on the day immediately preceding the Appointed Date which arise out of the activities or operations of the said undertaking;

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- b. Specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the said undertaking at the close of business on the day immediately preceding the Appointed Date; and
- c. General/ multipurpose borrowings at the close of business on the day immediately preceding the Appointed Date to be allocated in the ratio of the book value of Project Management division's assets transferred to the total book value of the assets of PRIL

Explanation: In case of any doubt regarding whether any particular activity, asset or liability forms a part of the Project Management division of PRIL or otherwise, the same shall be decided/ resolved mutually by the Board of Directors of PRIL and FMML.

- 1.11 "PRIL" or "the Demerged Company" means Pantaloon Retail (India) Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Knowledge House, Shyam Nagar, Off Jogeshwari - Vikhroli Link Road, Jogeshwari (East), Mumbai - 400 060.

"Record Date" means the date to be fixed by the Board of Directors of PRIL for the purpose of reckoning names of the members (including Class B (Series 1) shareholder) and the compulsory convertible preference shareholders of PRIL, who shall be entitled to receive shares of FMML, upon coming into effect of this Scheme.

"Resulting Companies" means FMML and FML collectively.

- 1.14 "Residual PRIL" means all the businesses of PRIL remaining after demerger of Mall Management Undertaking & Project Management Undertaking as provided in PART 3 and after demerger of Mall Asset Management Undertaking & Food Services Undertaking as provided under PART 4 and/or all business as hereinafter be undertaken by PRIL from time to time.

- 1.15 "Scheme" or "the Scheme" or "this Scheme" means this Scheme of Arrangement in its present form as submitted to the Honorable High Court of Judicature at Bombay or this Scheme with such modification(s), if any made, as per Clause 17 of the Scheme;

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contract Regulation Act, 1956, the SEBI Act, 1992, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof from time to time.

2 DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme as set out herein in its present form or with any modification(s) approved or imposed or directed by the Hon'ble High Court shall be effective from the Appointed Date, but shall be operative from the Effective Date.

3 SHARE CAPITAL

3.1 The authorized, issued, subscribed and paid-up share capital of PRIL as on June 30, 2009 is as under:

Share Capital	Amount in Rs. Lacs
Authorized Share Capital	
250,000,000 Equity Shares of Rs. 2 each	5,000
50,000,000 Class B Shares of Rs. 2 each	1,000
TOTAL	6,000
Issued	
174,402,921 Equity Shares of Rs. 2 each, fully paid up	3,488.04
15,929,152 Class B Series 1 Shares of Rs. 2 each, fully paid up	318.58
Subscribed and Paid-up Share Capital	
174,391,521 Equity Shares of Rs. 2 each, fully paid up	3,487.83
15,929,152 Class B Series 1 Shares of Rs. 2 each, fully paid up	348.58
TOTAL	3,806.62

Subsequent to the above date, there has been no change in the Authorised capital. Issued, Subscribed and Paid-up share capital of the Applicant Company has been increased by issue and allotment of 1,58,22,200 Equity Shares to Qualified Institutional Buyers. The increased issued capital of the Applicant Company stand at Rs. 4123.06 lacs and increased subscribed and paid up capital of the Applicant Company stand at Rs. 4,122.86 lacs.

On 22nd May, 2009 the Applicant Company allotted 50,00,000 warrants @ Rs.183/- on preferential basis to one of Promoter group company which can be converted to same number of equity shares at the option of the holders within 18 months from the date of allotment (i.e. on or before 21st November, 2010).

3.2 The authorized, issued, subscribed and paid-up share capital of FML as on March 31, 2009, is as under:

Share Capital	(Amount in Rupees)
Authorized Share Capital	5,00,000
50,000 Equity Shares of Rs. 10/- each	
Total	5,00,000

Share Capital	(Amount in Rupees)
<u>Issued, subscribed and paid-up Share Capital</u>	
50,000 Equity Shares of Rs. 10/- each, fully paid up	500,000
Total	500,000

Subsequent to March 31, 2009, there has been no change in the issued, subscribed and paid-up capital of FML.

FML is a 100% subsidiary of FMML.

3.3 The authorized, issued, subscribed and paid-up share capital of FMML as on March 31, 2009, is/as under:

Share Capital	(Amount in Rupees)
<u>Authorized Share Capital</u>	
50,000 Equity Shares of Rs. 10 each	5,00,000
Total	5,00,000
<u>Issued, subscribed and paid-up Share Capital</u>	
50,000 Equity Shares of Rs. 10 each, fully paid up	5,00,000
Total	5,00,000

Subsequent to March 31, 2009, there has been no change in the issued, subscribed and paid-up capital of FMML.

FMML is a 100% subsidiary of PRIL.

PART 3

DEMERGER OF THE MALL MANAGEMENT UNDERTAKING & PROJECT
MANAGEMENT UNDERTAKING OF PRIL INTO FMML

4 TRANSFER AND VESTING OF THE MALL MANAGEMENT UNDERTAKING &
PROJECT MANAGEMENT UNDERTAKING OF PRIL INTO FMML

With effect from the Appointed Date and upon the Scheme becoming effective, the Mall Management Undertaking & Project Management Undertaking of PRIL shall, pursuant to the provisions contained in Sections 391 to 394 and other relevant provisions, if any, of the Act, without any further act, deed, matter or thing, stand transferred to and vested in and/or be deemed to be transferred to and vested in FMML at book values and on a going concern basis, in accordance with section 2(19AA) of the Income Tax Act, 1961, in the following manner:

4.1 All assets along with all rights, interests and other benefits without any further act, instrument or deed pertaining to the Mall Management Undertaking & Project Management Undertaking shall be transferred to and vested in and/or be deemed to be transferred and vested from PRIL to FMML, with effect from the Appointed Date.

4.1.1 All the movable assets pertaining to the Mall Management Undertaking & Project Management Undertaking of PRIL which are capable of being physically transferred including cash on hand shall be physically handed over by delivery to FMML to the end and intent that the property therein passes to FMML. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Boards of Directors or Committees thereof of PRIL and FMML and shall be deemed to be transferred to and vested from PRIL into FMML with effect from the Appointed Date;

4.1.2 In respect of any assets pertaining to the Mall Management Undertaking & Project Management Undertaking including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, PRIL shall, on being so requested by FMML, issue notices in such form as FMML may specify stating that pursuant to this Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, FMML as the person entitled thereto, to the end and intent that the right of PRIL to receive, recover or realize the same, stands transferred to FMML and that appropriate entries should be passed in their respective books to record the aforesaid changes;

4.1.3 In respect of such of the assets belonging to the Mall Management Undertaking & Project Management Undertaking other than those referred to in clause 4.1.1 and 4.1.2 above, the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in FMML on the Appointed Date pursuant to the provisions of Section 391-394 of the Act.

4.2 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, duties and obligations of every kind, nature and description of PRIL, pertaining to the Mall Management Undertaking & Project Management Undertaking shall, pursuant to the Scheme, without any further act or deed, be transferred to or be deemed

4.3 The transfer of the Mall Management Undertaking & Project Management Undertaking in relation to the Mall Management Undertaking & Project Management Undertaking over the aforesaid Scheme shall be deemed to be the same as if the same had been modified to the extent of the obligation and contract to operate a business in the absence of the effect of the Scheme. In effect, the duties, responsibilities and obligations of the Project Management Undertaking thereto shall be, of FMML to be earned by the Project Management Undertaking borne by FMML.

4.5 PRIL and FMML shall be eligible for tax deduction in respect of the excise duty payable by the Project Management Undertaking to FMML under the Scheme.

4.6 This Scheme shall prevail over any other provisions of the Scheme and any other provisions of the Act to the extent that they are inconsistent with the provisions of this Scheme.

to be transferred to FMML so as to become as from the Appointed Date the debts, liabilities, duties and obligations of FMML and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.

4.3 The transfer and vesting of the Mall Management Undertaking & Project Management Undertaking shall be subject to the existing securities, charges and mortgages, if any in relation to the liabilities of the Mall Management Undertaking & Project Management Undertaking transferred to FMML under clause above. In so far as any encumbrances over the assets comprised in the Mall Management Undertaking & Project Management Undertaking are security for liabilities of the Remaining Undertaking retained with PRIL, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the encumbrances shall only extend to and continue to operate against the assets retained with PRIL and shall cease to operate against any of the assets transferred to FMML in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operations of this sub-clause.

4.4 In effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable/receivable by PRIL relating to the Mall Management Undertaking & Project Management Undertaking including all or any refunds/credit/claims relating thereto shall be treated as the asset/liability or refunds/credit/claims, as the case may be, of FMML, provided however that any direct and indirect taxes that cannot specifically be earmarked as the asset/liability or refunds/credit/claims relating to the Mall Management Undertaking & Project Management Undertaking shall continue to be borne by PRIL unless otherwise mutually agreed by the Board of Directors of PRIL and FMML.

4.5 PRIL and FMML are expressly permitted to revise their respective tax returns including tax deducted at source (TDS) certificates and to claim refunds, advance tax credits, excise and service tax credits, set off, etc., on the basis of the accounts of the Mall Management Undertaking & Project Management Undertaking of PRIL as vested with FMML upon coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates, as applicable, and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved

4.6 This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Section at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said Section of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to

comply with Section 2(19AA) of the Income-tax Act, 1961. Such modification will however not affect the other parts of the Scheme.

5 ACCOUNTING TREATMENT

5.1 IN THE BOOKS OF FMML

On the Scheme becoming effective and with effect from the Appointed Date, FMML shall account for the Scheme in its books as under:

- i. All the assets and liabilities of the Mall Management Undertaking & Project Management Undertaking vested in it pursuant to this Scheme shall be recorded at the respective book values, if any, as appearing in the books of PRIL at the close of business on the day immediately preceding the Appointed Date.
- ii. FMML to credit its share capital account to the extent of amount of shares issued pursuant to clause 8.1 of the Scheme.
- iii. The shares held by PRIL in FMML will be cancelled. The cancellation of share capital shall be effected as an integral part of the Scheme in accordance with the provisions of Section 78 and Sections 100 to 103 of the Act and the Order of the High Court sanctioning the Scheme shall be deemed to be also the Order under Section 103 of the Act for the purpose of confirming the reduction of capital. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable.
- iv. The amount of net assets of Mall Asset Management Undertaking & Food Services Undertaking being transferred to FML pursuant clause 6 PART 4 of the Scheme will be treated as FMML's investments in FML and to that extent, the value of FMML's holding in FML shall stand enhanced.
- v. The excess, if any, after recording the aforesaid entries in sub clause 5.1(i) to 5.1(iv) above, shall be credited to the Securities Premium Account of FMML. The shortfall if any, shall be recorded as Goodwill.
- vi. In case of any difference in accounting policy between PRIL in respect of the Mall Management Undertaking & Project Management Undertaking and FMML, the impact of the same till the Appointed Date, will be quantified and adjusted in the Securities Premium Account of FMML arising in (v) above, to ensure that the financial statements of FMML reflect the financial position on the basis of consistent accounting policy.

6 TRANSFER OF ASSETS & FOOD SERVICES

With effect from the Appointed Date, all the assets and liabilities of the Mall Management Undertaking & Project Management Undertaking shall be transferred to the FMML and the FMML shall be deemed to be the owner of the same from the Appointed Date.

6.1 All assets and liabilities of the Mall Asset Management Undertaking & Food Services Undertaking shall be transferred to the FMML and the FMML shall be deemed to be the owner of the same from the Appointed Date. The value of the assets and liabilities shall be recorded in the books of FMML at the respective book values, if any, as appearing in the books of PRIL at the close of business on the day immediately preceding the Appointed Date.

6.1.2 In respect of the Mall Asset Management Undertaking & Food Services Undertaking, the FMML shall be deemed to be the owner of the same from the Appointed Date. The value of the assets and liabilities shall be recorded in the books of FMML at the respective book values, if any, as appearing in the books of PRIL at the close of business on the day immediately preceding the Appointed Date.

6.1.3 In respect of the Mall Asset Management Undertaking & Food Services Undertaking, the FMML shall be deemed to be the owner of the same from the Appointed Date. The value of the assets and liabilities shall be recorded in the books of FMML at the respective book values, if any, as appearing in the books of PRIL at the close of business on the day immediately preceding the Appointed Date.

6.2 With effect from the Appointed Date, all the assets and liabilities of the Mall Asset Management Undertaking & Food Services Undertaking shall be transferred to the FMML and the FMML shall be deemed to be the owner of the same from the Appointed Date.

DEMERGER OF THE MALL ASSET MANAGEMENT UNDERTAKING & FOOD SERVICES UNDERTAKING OF PRIL INTO FML

6 TRANSFER AND VESTING OF THE MALL ASSET MANAGEMENT UNDERTAKING & FOOD SERVICES UNDERTAKING OF PRIL INTO FML

With effect from the Appointed Date and upon the Scheme becoming effective, the Mall Asset Management Undertaking & Food Services Undertaking of PRIL shall, pursuant to the provisions contained in Sections 391 to 394 and other relevant provisions, if any, of the Act, without any further act, deed, matter or thing, stand transferred to and vested in and/or be deemed to be transferred to and vested in FML at book values and on a going concern basis, in accordance with section 2(19AA) of the Income Tax Act, 1961, in the following manner:

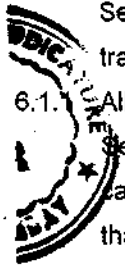
6.1 All assets along with all rights, interests and other benefits without any further act, instrument or deed pertaining to the Mall Asset Management Undertaking & Food Services Undertaking shall be transferred to and vested in and/or be deemed to be transferred and vested from PRIL to FML, with effect from the Appointed Date;

6.1.1 All the movable assets pertaining to the Mall Asset Management Undertaking & Food Services Undertaking of PRIL which are capable of being physically transferred including cash on hand shall be physically handed over by delivery to FML to the end and intent that the property therein passes to FML. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Boards of Directors or Committees thereof of PRIL and FML and shall be deemed to be transferred to and vested from PRIL into FML with effect from the Appointed Date;

6.1.2 In respect of any assets pertaining to the Mall Asset Management Undertaking & Food Services Undertaking including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, PRIL shall, on being so requested by FML, issue notices in such form as FML may specify stating that pursuant to this Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, FML as the person entitled thereto, to the end and intent that the right of PRIL to receive, recover or realize the same, stands transferred to FML and that appropriate entries should be passed in their respective books to record the aforesaid changes;

6.1.3 In respect of such of the assets belonging to the Mall Asset Management Undertaking & Food Services Undertaking other than those referred to in clause 6.1.1 and 6.1.2 above, the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in FML on the Appointed Date pursuant to the provisions of Section 391-394 of the Act.

6.2 With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, duties and obligations of every kind, nature and description of PRIL pertaining to the Mall Asset Management Undertaking & Food Services Undertaking shall, pursuant to the Scheme, without any further act or deed, be transferred to or be deemed to be



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6.3 The transfer and vesting of the Mall Asset Management Undertaking & Food Services Undertaking shall be subject to the existing securities, charges and mortgages, if any in relation to the liabilities of the Mall Asset Management Undertaking & Food Services Undertaking transferred to FML under clause above. In so far as any encumbrances over the assets comprised in the Mall Asset Management Undertaking & Food Services Undertaking are security for liabilities of the Remaining Undertaking retained with PRIL, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the encumbrances shall only extend to and continue to operate against the assets retained with PRIL and shall cease to operate against any of the assets transferred to FML in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operations of this sub-clause.

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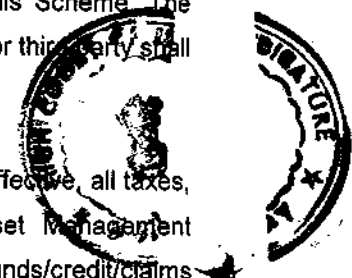
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6.4 With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable/receivable by PRIL relating to the Mall Asset Management Undertaking & Food Services Undertaking including all or any refunds/credit/claims relating thereto shall be treated as the asset/liability or refunds/credit/claims, as the case may be, of FML, provided however that any direct and indirect taxes that cannot specifically be earmarked as the asset/liability or refunds/credit/claims relating to the Mall Asset Management Undertaking & Food Services Undertaking shall continue to be borne by PRIL unless otherwise mutually agreed by the Board of Directors of PRIL and FML.

6.5 PRIL and FML are expressly permitted to revise their respective tax returns including tax deducted at source (TDS) certificates and to claim refunds, advance tax credits, excise and service tax credits, set off, etc., on the basis of the accounts of the Mall Asset Management Undertaking & Food Services Undertaking of PRIL as vested with FML upon coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates, as applicable, and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.

6.6 This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Section at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said Section of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to



comply with Section 2(19AA) of the Income-tax Act, 1961. Such modification will however not affect the other parts of the Scheme.

7 ACCOUNTING TREATMENT

7.1 IN THE BOOKS OF FML

On the Scheme becoming effective and with effect from the Appointed Date, FML shall account for the Scheme in its books as under:

- (i) All the assets and liabilities of the Mall Asset Management Undertaking & Food Services Undertaking vested in it pursuant to this Scheme shall be recorded at the respective book values, if any, as appearing in the books of PRIL at the close of business on the day immediately preceding the Appointed Date.
- (ii) The excess, if any, after recording the aforesaid entry in sub clause 7.1(i) above shall be credited to the Share Premium Account of FML. The shortfall if any, shall be recorded as Goodwill.
- (iii) In case of any difference in accounting policy between PRIL in respect of the Mall Asset Management Undertaking & Food Services Undertaking and FML, the impact of the same till the Appointed Date, will be quantified and adjusted in the Share Premium of FML to ensure that the financial statements of FML reflect the financial position on the basis of consistent accounting policy.



PART 5

GENERAL CLAUSES, TERMS AND CONDITIONS

8 ISSUE OF SHARES

8.1 Upon coming into effect of the Scheme and in consideration for the transfer and vesting of the Mall Management Undertaking & Project Management Undertaking of PRIL into FMML pursuant to clause 4 of Part 3 above and transfer and vesting of the Mall Asset Management Undertaking & Food Services Undertaking of PRIL into FML pursuant to clause 6 of Part 4 of this Scheme, FMML shall, without any further application or deed, issue and allot shares, credited as fully paid up, to the extent indicated below, to the members (including Class B (Series 1) shareholder) and the compulsory convertible preference shareholders of PRIL whose name appears in the Register of Members of PRIL as on the Record Date or to their respective heirs, executors, administrators or other legal representatives or the successors-in-title, as the case may be, in the following manner:

"1 (One) fully paid Equity Share of Rs.10 (Rupees Ten Only) each of FMML shall be issued and allotted for every 20 (Twenty) Equity Shares of Rs.2 (Rupees Two) each held in PRIL.

1 (One) fully paid Equity Share of Rs.10 (Rupees Ten Only) each of FMML shall be issued and allotted for every 20 (Twenty) Class B Series 1 shares of Rs.2 (Rupees Two) each held in PRIL. And

1 (One) fully paid up Equity Share of Rs.10 (Rupees Ten Only) each of FMML shall be issued and allotted for every 20 (Twenty) compulsory convertible preference shares of Rs.100 (Rupees One Hundred Only) each held in PRIL."

8.2 The Board of Directors of FMML shall consolidate all fractional entitlement(s), if any, arising due to the demerger of Mall Management Undertaking, Project Management Undertaking, Mall Asset Management Undertaking & Food Services Undertaking of PRIL and allot Equity Shares in lieu thereof to a director or an officer of FMML or such other person or Trust as the Board of Directors or Committees of FMML shall appoint in this behalf who shall hold the Equity Shares in trust on behalf of the members entitled to fractional entitlements with the express understanding that such director(s) or officer(s) or person(s) or Trust shall sell the same at such time or times and at such price or prices and to such person or persons, as it/ he/ they may deem fit, and pay to FMML, the net sale proceeds thereof, whereupon FMML shall distribute such net sale proceeds, subject to taxes, if any, to the members in proportion to their respective fractional entitlements.

8.3 The Equity Shares to be issued to the members of PRIL as above shall be subject to the Memorandum and Articles of Association of FMML and shall rank *pari passu* with the existing equity shares of FMML in all respects including dividends.

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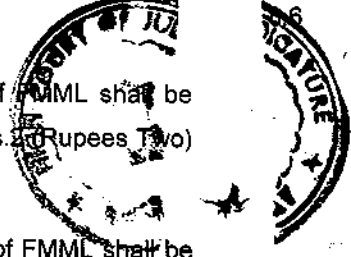
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8.4 The Equity Shares shall be issued in dematerialized form to those shareholders who hold shares of PRIL in dematerialized form, in to the account in which PRIL shares are held or such other account as is intimated by the shareholders to PRIL and / or its Registrar before the Record Date. All those shareholders who hold shares of PRIL in physical form shall also have the option to receive the Equity Shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to PRIL and / or its Registrar before the Record Date. Otherwise, they would be issued Equity Shares in physical form. For all those shareholders who hold shares of PRIL in physical form and have not intimated their option to receive the Equity Shares in dematerialized form, Equity Shares shall be issued in physical form and despatched to their registered address or such address as given in mandate to PRIL.

8.5 The Board of Directors of FMML shall, if and to the extent required, apply for and obtain any approvals from concerned Government / Regulatory authorities for the issue and allotment of equity shares to the members of PRIL pursuant to clause 8.1 of the Scheme.

The equity shares to be issued to the members of PRIL pursuant to clause 8.1 of this Scheme will be listed and/or admitted to trading on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where the shares of PRIL are listed and/or admitted to trading. FMML shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said stock exchanges. The shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing / trading permission is given by the designated Stock Exchange(s). Shareholding pattern or control in FMML shall not be changed between the Record Date and the listing of the shares.

8.7 The equity shares to be issued by FMML to the members of PRIL pursuant to clause 8.1 of this Scheme, in respect of any shares in PRIL which are held in abeyance under the provisions of Section 206A of the Act or otherwise, pending allotment or settlement of dispute, by order of court or otherwise, be held in abeyance by FMML.

8.8 Approval of this Scheme by the shareholders of FMML shall be deemed to be the due compliance of the provisions of Section 81(1A) and the other relevant and applicable provisions of the Act for the issue and allotment of equity shares by FMML to the shareholders of PRIL, as provided in this Scheme.

8.9 The approval of this Scheme by the shareholders of FMML and PRIL under Sections 391 and 394 of the Act shall be deemed to have the approval under Sections 16, 31 and other applicable provisions of the Act and any other consents and approvals required in this regard.

9 ACCOUNTING TREATMENT IN THE BOOKS OF PRIL

9.1 **IN THE BOOKS OF PRIL**

On the Scheme becoming effective and with effect from the Appointed Date, PRIL shall account for the demerger of the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking, in its books as under:

- (i) The book values of the assets and liabilities pertaining to the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking transferred by PRIL to FMML and FML respectively shall be reduced from the book values of the assets and liabilities appearing in the books of PRIL.
- (ii) Investments of PRIL in FMML will be cancelled.
- (iii) The difference of the book value of assets transferred over the book value of liabilities transferred and cancellation of investments in FMML as per sub-clause (i) and (ii) above, shall be adjusted against the balance in the Securities Premium Account.
- (iv) The utilization of the securities premium account of PRIL, if any as mentioned above, shall be effected as an integral part of the Scheme in accordance with the provisions of Section 78 and Sections 100 to 103 of the Act and the Order of the High Court sanctioning the Scheme shall be deemed to be also the Order under Section 102 of the Act for the purpose of confirming the reduction of capital. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the Act will not be applicable.

10 **TRANSACTIONS BETWEEN APPOINTED DATE AND EFFECTIVE DATE**

With effect from the Appointed Date and upto and including the Effective Date:

- 10.1 PRIL in respect of the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking shall carry on and be deemed to have been carrying on the business and activities and shall stand possessed of and hold all of its properties and assets for and on account of and in trust for FMML and FML respectively. PRIL hereby undertakes to hold the said assets with utmost prudence until the Effective Date;
- 10.2 All the profits or income accruing or arising to PRIL in respect of the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking or expenditure or losses arising to or incurred by PRIL in respect of the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking, shall for all purposes and intents be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses (as the case may be) of FMML and FML respectively;

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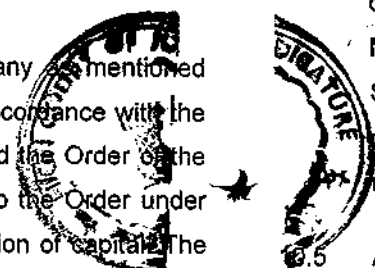
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0.3 PRIL in respect of the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking shall carry on the business and activities with reasonable diligence, business prudence and shall not without the prior written consent of FMML and FML respectively, alienate, charge, mortgage, encumber or otherwise deal with or dispose off its Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking or any part thereof except in respect of activities in the ordinary course of business nor shall it undertake any new businesses within the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking or a substantial expansion of its existing Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking except in the ordinary course of its business;

0.4 Where any of the liabilities and obligations attributed to the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking on or after the Appointed Date has been discharged by PRIL on behalf of the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking after the Appointed Date but prior to the Effective Date, such discharge shall be deemed to have been for and on behalf of FMML and FML respectively.

0.5 All loans raised after the Appointed Date but before the Effective Date and liabilities incurred by PRIL after the Appointed Date but before the Effective Date for operations of the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking shall be discharged by FMML and FML respectively on or after the Effective Date.

0.6 PRIL shall not, in relation to the Mall Management Undertaking & Project Management Undertaking and the Mall Asset Management Undertaking & Food Services Undertaking vary the terms and conditions of service of the employees or conclude settlements with unions or employees, except in the ordinary course of business or consistent with past practice or pursuant to any pre-existing obligation without the prior written consent of the Board of Directors of FMML and FML respectively.

1 DECLARATION OF DIVIDEND, BONUS, ETC.

11.1 For the avoidance of doubt it is hereby clarified that nothing in this Scheme shall prevent the Resulting Companies from declaring and paying dividends, whether interim or final, to its equity shareholders as on the respective record date(s) for the purpose of any such dividend.

11.2 PRIL shall not utilize the profits or income, if any, relating to the Mall Management Undertaking & Project Management Undertaking, and Mall Asset Management Undertaking & Food Services Undertaking for the purpose of declaring or paying any

dividend to its shareholders or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of Resulting Companies.

- 11.3 Both Resulting Companies and PRIL shall not without the prior written consent of Resulting Companies, issue or allot any further securities except conversion of existing issued warrants into equity, either by way of rights or bonus shares or otherwise.
- 11.4 In the event that PRIL and/or Resulting Companies restructures its equity share capital by way of share split / consolidation / issue of bonus shares / issue of Rights Shares or other changes in its capital during the pendency of the Scheme, the Share Exchange Ratio (as provided in the Clause 8.1) shall be adjusted / changed accordingly to take into account the effect of such corporate action(s).
- 11.5 Until the coming into effect of this Scheme, the holders of equity shares of PRIL and Resulting Companies shall, save as expressly provided otherwise in this Scheme continue to enjoy their existing respective rights under their respective Articles of Associations.
- 11.6 It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of PRIL and/or Resulting Companies to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the respective Boards of Directors of PRIL and Resulting Companies and subject, where ever necessary, to the approval of the shareholders of PRIL and Resulting Companies, respectively.

12 EMPLOYEES

- 12.1 On the Scheme becoming effective, all employees of the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking in service on the Effective Date, shall be deemed to have become employees of FMML and FML respectively with effect from the Appointed Date or their respective joining date, whichever is later, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with FMML and FML respectively shall not be less favorable than those applicable to them with reference to the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking respectively on the Effective Date. Any question that may arise as to whether any employee belongs to or does not belong to the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking shall be decided by Board of Directors or Committees of Directors of PRIL.
- 12.2 It is expressly provided that, on the Scheme becoming effective, the provident fund, gratuity fund, superannuation fund or any other special fund or trusts created or existing for the benefit of the employees of or relatable to the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking shall be deemed to have been created by FMML and FML respectively in place of PRIL for all purposes whatsoever in relation to the

13 LEGAL

- 13.1 All legal matters before the Management Undertaking by reason of continuance of same shall be enforced after the matter is the case shall respect
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14 CONTRACTS

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administration or operation of such fund or funds or in relation to 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, if any, to the end and intent that all rights, duties, powers and obligations of PRIL in relation to such fund or funds shall become those of FMML and FML respectively. It is clarified that the services of the employees of the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking will be treated as having been continuous and not interrupted for the purpose of the said fund or funds.

13 LEGAL PROCEEDINGS

13.1 All legal proceedings of whatsoever nature by or against PRIL pending and/or arising before the Effective Date and relating to the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against Resulting Companies, as the case may be in the same manner and to the same extent as would or might have been continued and enforced by or against PRIL.

13.2 After the Appointed Date, if any proceedings are taken against PRIL in respect to the matter referred in the preceding clause, they shall prosecute and defend the same, as the case may be, at the cost of the Resulting Companies and the Resulting Companies shall reimburse and indemnify PRIL against all liabilities and obligations incurred by respective companies in respect thereof.

13.3 The Resulting Companies undertakes to have all legal or other proceedings initiated by or against PRIL referred in Clause 13.1 above transferred into its name and to have the same continued, prosecuted, defended and enforced as the case may be by or against the Resulting Companies to the exclusion of PRIL.

14 CONTRACTS, DEEDS, ETC.

14.1 Notwithstanding anything to the contrary contained in the contract, deed, bond, agreement or any other instrument, but subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature and subsisting or having effect on the Effective Date and relating to the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking of PRIL, shall continue in full force and effect against or in favour of FMML and FML as the case may be, and may be enforced effectively by or against FMML and FML as the case may be as fully and effectually as if, instead of PRIL, the FMML and FML as the case may be had been a party thereto from inception.

14.2 Resulting Companies 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, enter into, or issue or execute deeds, writings, confirmations, novations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which PRIL is a party or any writings as may be necessary to be executed in order to give formal

effect to the above provisions. Resulting Companies shall, be deemed to be authorised to execute any such writings on behalf of PRIL and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of PRIL.

15 SAVING OF CONCLUDED TRANSACTIONS

The transfer and vesting of the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking as above and the continuance of proceedings by or against PRIL in relation to the Mall Management Undertaking & Project Management Undertaking and Mall Asset Management Undertaking & Food Services Undertaking shall not affect any transaction or proceedings already concluded on or after the Appointed Date till the Effective Date, to the end and intent that Resulting Companies accepts and adopts all acts, deeds and things done and executed by PRIL in respect thereto from the Appointed Date as done and executed on behalf of Resulting Companies.

16 APPLICATION TO HIGH COURT

PRIL and Resulting Companies shall, as may be required, make applications and/or petitions under Sections 391 to 394 read with Sections 78, 100 to 103 and other applicable provisions of the Act to the High Court of Judicature at Bombay or such other appropriate authority for sanction of this Scheme and all matters ancillary or incidental thereto.

17 MODIFICATION OR AMENDMENTS TO THE SCHEME

17.1 On behalf of PRIL and Resulting Companies, the Board of Directors of respective companies, may consent, on behalf of all persons concerned, to any modifications or amendments of the Scheme and without prejudice to the generality of the foregoing, any modification to the Scheme involving withdrawal of any of the parties to the Scheme at any time and for any reason whatsoever, or to any conditions or limitations that the High Court or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them (i.e. the Board of Directors) and solve all difficulties that may arise for carrying out the Scheme and do all acts, deeds and things necessary for putting the Scheme into effect.

17.2 For the purpose of giving effect to this Scheme or to any modification thereof the Board of Directors of PRIL and Resulting Companies may give and are authorised to give such directions including directions for settling any question of doubt or difficulty that may arise.

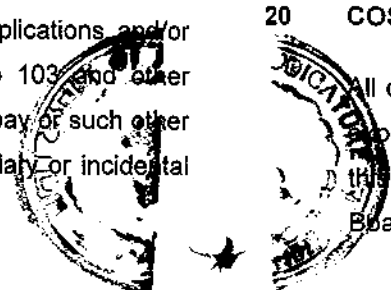
18 CONDITIONALITY OF THE SCHEME

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

18.1 The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme.

18.2 The Scheme being approved by the requisite majorities in number and value of such classes of persons including the respective members and/or creditors of PRIL and

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Resulting Companies as may be directed by the Hon'ble High Court of Judicature at Bombay or any other competent authority, as may be applicable.

18.3 The Scheme being sanctioned by the High Court of Judicature at Bombay or any other authority under Sections 391 to 394 of the Act.

18.4 Certified copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, Maharashtra, at Mumbai by all the Companies viz., PRIL, FMML and FML.

19 EFFECT OF NON-RECEIPT OF APPROVALS

In the event of any of the said sanctions and approvals referred to in the preceding Clause 18 not being obtained and / or the Scheme not being sanctioned by the High Court or such other competent authority and / or the order or orders not being passed as aforesaid before March 31, 2011 or such other date as may be agreed by the respective Board of Directors of PRIL and Resulting Companies may determine, 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.

20 COSTS, CHARGES & EXPENSES

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) arising out of, or incurred in carrying out and implementing the Scheme and matters incidental thereto, shall be borne as mutually agreed by the Board of Directors of PRIL and the Resulting Companies.

TRUE-COPY
M. D. Narvekar
M. D. NARVEKAR
GOVERNOR - REGISTRAR
HIGH COURT OF (O.S.)
BOMBAY

Certified to be TRUE COPY
For RAJESH SHAH & CO.

Rajesh Shah
Advocate for the Petitioner/Applicant

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IN THE HIGH COURT OF JUDICATURE AT BOMBAY
COMPANY SCHEME PETITION NO. 339 OF 2010

CONNECTED WITH

COMPANY SUMMONS FOR DIRECTIONS NO 339 OF 2010

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

AND

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

AND

In the matter of Scheme of Arrangement

Between

Pantaloon Retail (India) Limited ('PRIL' or 'the Demerged
Company')

And

Future Mall Management Limited ('FMML' or 'the Resulting
Company No 1')

And

Future Merchandising Limited ('FML' or 'the Resulting
Company No 2')

And

their respective shareholders and creditors.

FUTURE MALL MANAGEMENT LIMITED

..... Petitioner Company

Authenticated copy of Minutes of Order dated August 24,

2010 along with the Scheme of Arrangement

M/S RAJESH SHAH & CO

Advocates for the Petitioner

16, Oriental Building,

30, Nagindas Master Road,

Flora Fountain,

Mumbai - 400 001.

24/08/10
26/08/10
Examined by *D. M. Jethi*
Ready on 27/08/10
27/08/10