

SCHEME OF ARRANGEMENT
BETWEEN
CG POWER AND INDUSTRIAL SOLUTIONS LIMITED
AND
ITS SHAREHOLDERS
UNDER SECTION 230 OF THE COMPANIES ACT, 2013

(A) PREAMBLE

This Scheme of Arrangement ('Scheme') provides for capital reorganization of the Company (as defined hereinafter), inter alia, providing for transfer of amounts standing to the credit of the General Reserve (as defined hereinafter) to the Retained Earnings (as defined hereinafter) of the Company, pursuant to the provisions of Section 230 and other applicable provisions of the Act (as defined hereinafter). This Scheme also provides for various other matters consequential thereto or otherwise integrally connected therewith.

(B) DESCRIPTION OF THE COMPANY

CG Power and Industrial Solutions Limited was originally incorporated on 28th April 1937 under the Indian Companies Act 1913 under the name and style of 'The Crompton Parkinson Works Private Limited'. The Company was converted into Public Limited Company with effect from 28th December, 1960. The Company changed its name from Crompton Parkinson Works Limited to Crompton Greaves Limited vide fresh Certification of Incorporation consequent on change of name dated 2nd August, 1966. The Company name was further changed from Crompton Greaves Limited to CG Power and Industrial Solutions Limited vide fresh Certification of Incorporation pursuant to change of name dated 27th February, 2017. The Corporate Identification Number (CIN) of CG Power and Industrial Solutions Limited is L99999MH1937PLC002641. The equity shares of the company are listed on BSE Limited and National Stock Exchange of India Limited.

The Company is providing end-to-end solutions to utilities, industries and consumers for the management and application of efficient and sustainable electrical energy. It offers products, services and solutions in two main business segments, viz. Power Systems and Industrial Systems.



(C) RATIONALE OF THE SCHEME

1. The Company had gone through a turbulent phase in past. The Company had suffered substantial losses during the past few years under the old management.
2. During the Financial Year 2020–21, the lenders of the Company and the Company had received a binding offer from Tube Investments of India Limited ('TIL') for resolving the debts of the Company and to infuse equity capital in the Company. The Company, its lenders and TIL had executed the Master Implementation cum Compromise Settlement Agreement ('Settlement Agreement') and the Company had discharged and settled the existing credit facilities including corporate guarantees. The Settlement Agreement also provided for change in management and promoters of the Company. With the infusion of the capital from TIL, the Company settled the outstanding dues of employees, vendors and other creditors as the first step of revival followed by restoring normalcy of operations across all the business divisions.
3. Post change in the management control, the Company, generated profits in the financial year ended 31st March 2022.
4. As per the audited financial statements of the Company on 31st March 2022, the company continues to carry a negative balance of retained earnings, while it has unutilized balances lying under various other reserves more specifically under General Reserve.
5. Despite profitability, the financial statements of the Company are not reflective of its true current financial position and therefore, it is necessary to reorganize the retained earnings of the Company.
6. The proposed reclassification of reserves is in the interest of the Company and its shareholders, creditors and all other stakeholders of the Company.

(D) PARTS OF THE SCHEME

The Scheme is divided into the following parts:

1. **Part I** deals with the definitions used in the Scheme and sets out the share capital and details of reserves and surplus of the Company;
2. **Part II** deals with reorganization/reclassification of amounts standing to the credit of the General Reserve to the Retained Earnings of the Company, pursuant to the provisions of section 230 and other applicable provisions of the Act; and
3. **Part III** deals with the general terms and conditions applicable to this Scheme.

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PART I
DEFINITION AND SHARE CAPITAL

1. DEFINITION AND INTERPRETATION

1.1 In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

“**Act**” or “**The Act**” means the Companies Act, 2013, including any rules, regulations, orders and notifications made thereunder or any statutory modification thereto or re-enactment thereof for the time being in force;

“**Appointed Date**” means Effective Date;

“**Appropriate Authority**” means any governmental, statutory, regulatory, departmental or public body or authority of India including Securities and Exchange Board of India, Stock Exchanges, Registrar of Companies and the National Company Law Tribunal, as may be applicable;

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company and shall include a Committee duly constituted and authorised for the purposes of matters pertaining to the Scheme and/or any other matter relating thereto;

“**Company**” means CG Power and Industrial Solutions Limited incorporated under Companies Act 1913, having Corporate Identity Number L99999MH1937PLC002641 and its registered office at 6th Floor, CG House, AB Road, Worli, Mumbai – 400030;

“**Effective Date**” means the day on which all the conditions and matters referred to in Clause 11 (Conditions Precedent) of this Scheme occur or have been fulfilled or waived in accordance with this Scheme;

References in this Scheme to date of 'coming into effect of the Scheme' or 'effectiveness of the Scheme' shall mean the Effective Date;

“**General Reserve**” means and includes the amount as reflected in the financial statements of the Company, as ‘General Reserve’ under ‘Other Equity’ which have been built primarily through transfer of retained undistributed profits, pursuant to the provisions of the Companies Act. 1956 and the erstwhile rules notified thereunder, namely, the Companies (Transfer of Profits to Reserves) Rules, 1975;

“**Governmental Authority**” means any applicable Central, State or Local Government, legislative body, regulatory or administrative authority, agency or



Commission, including a Stock Exchange or any Court, Tribunal, Board, Bureau, instrumentality, judicial or arbitral body;

"**INR**" means Indian Rupee, the lawful currency of the Republic of India;

"**Person**" means an individual, a partnership, a corporation, a limited liability partnership, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or an Appropriate Authority;

"**Registrar of Companies**" means the Registrar of Companies, Mumbai.

"**Retained Earnings**" means and includes the amounts as reflected in the financial statements of the Company, as 'Retained Earnings' under "Other Equity", and representing the cumulative profit/ (loss) of the Company;

"**Scheme**" or "**the Scheme**" or "**this Scheme**" means this Scheme of Arrangement in its present form as submitted to the Tribunal or this Scheme with such modification(s), if any, including those as approved, imposed or directed by the Tribunal and accepted by the Parties hereto;

"**SEBI**" means the Securities and Exchange Board of India;

"**SEBI LODR Regulations**" means SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, and any amendments thereof;

"**Stock Exchanges**" means BSE Limited and National Stock Exchange of India Limited, collectively;

"**Tax Laws**" means all Applicable Laws dealing with Taxes including but not limited to income-tax, goods & service tax, value added tax, excise duty, customs duty or any other levy of similar nature;

"**Taxation**" or "**Tax**" or "**Taxes**" means all forms of taxes and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies, whether levied by reference to income, profits, book profits, gains, net wealth, asset values, turnover, added value, goods and services or otherwise and shall further include payments in respect of or on account of Tax, whether by way of deduction at source, collection at source, dividend distribution tax, advance tax, minimum alternate tax, goods and services tax or otherwise or attributable directly or primarily to the Company or any other Person and all penalties, charges, costs and interest relating thereto;

"**Tribunal**" shall mean Mumbai Bench of the National Company Law Tribunal having jurisdiction over the Company.

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- 1.2 References to clauses, sub-clauses and recitals, unless otherwise provided, are to clauses, sub-clauses and recitals of and to this Scheme.
- 1.3 The headings herein shall not affect the construction of this Scheme.
- 1.4 The words 'including', 'include' or any similar expression are to be construed without limitation.
- 1.5 Unless the context otherwise requires:
- i. the singular shall include the plural and vice versa; and references to one gender include all genders; and
 - ii. references to any law or to any provision thereof shall include references to any such law or to any provision thereof as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted, or to any law or any provision which replaces it, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

2. SHARE CAPITAL AND OTHER EQUITY

- 2.1 The Share Capital structure of the Company as on 31st March 2022 is as under:

Particulars	Amt in INR
Authorized:	
2,03,80,00,000 equity shares of 2 each	407,60,00,000
Total	407,60,00,000
Issued, Subscribed and Paid-Up:	
144,18,43,029 Equity Shares of Rs. 2 each	288,36,86,058
Total	288,36,86,058

On 18th May 2022, The Tube Investment of India Limited exercised its option to convert 8,52,33,645 share warrants into Equity Shares. Pursuant to this, the Share Capital Structure of the Company as 30th June 2022 is as under:

Particulars	Amt in INR
Authorized:	
203,80,00,000 equity shares of 2 each	407,60,00,000
Total	407,60,00,000



Issued, Subscribed and Paid-Up:	
152,70,76,674 Equity Shares of Rs. 2 each	305,41,53,348
Total	305,41,53,348

- 2.2 The Other Equity as appearing in the books of accounts of the Company as on 31st March 2022, is as under:

Particulars	INR in Crore
Retained Earnings	(250.44)
General Reserve	415.89
Capital Reserve	672.49
Capital Redemption Reserve	12.95
Securities Premium	660.04
Share Warrants Money	18.24
Share Options Outstanding Account	1.78
Total Other Equity	1530.95

The scheme does not seek to reduce or otherwise alter issued, subscribed and paid-up share capital of the company in any manner and the same will, therefore remain unaltered as a result of scheme. Similarly, the scheme does not affect the capital reserves in any manner.

PART II CAPITAL REORGANISATION OF THE COMPANY

3. CAPITAL REORGANISATION OF THE COMPANY

- 3.1 Upon this Scheme becoming effective and with effect from the Appointed Date, an amount of INR 400 Crore (Rupees Four Hundred Crore only) standing to the credit of the General Reserve of the Company shall be reclassified, transferred to and shall form part of the 'Retained Earnings' of the Company, and subsequent thereto, such amounts credited to the 'Retained Earnings' of the Company. It is clarified that such amounts shall be available for utilization by the Company in relation to any future pay-out in compliance with various provisions of the Act.
- 3.2 Pursuant to the Scheme, there is no outflow of/ pay-out of funds from the Company and hence, the interest of the shareholders/ creditors is not adversely affected. For the removal of doubt, it is expressly recorded and clarified that the Scheme shall not in any manner involve distribution of capital reserves or revenue reserves and shall be in accordance with the accounting standards prescribed under provisions of Section 133 of the Act.

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- 3.3 The re-classification/reorganisation of the amounts standing to the credit of the General Reserve and credit thereof to the 'Retained Earnings' would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.
- 3.4 Notwithstanding the reorganisation of the Capital in the form of transfer of General Reserve to Retained Earnings of the Company, as stated in Clause 3.1 above, the Company shall not require to add 'And Reduced' as a suffix to its name.
- 3.5 The Company submits that the proposed reduction of capital as above is in conformity with and does not violate or circumscribe any provision of the Act.
- 3.6 All actions taken by the Company pursuant to and in accordance with this Scheme shall be deemed to have not breached any terms and conditions or any other provisions of the Law.
- 3.7 This Scheme is an "arrangement" between the Company and its shareholders under Section 230 of the Act and does not envisage the transfer or vesting of any properties and/or liabilities as contemplated in Sections 230 to 232 and other applicable provisions of the Act. This Scheme does not involve any "conveyance" or "transfer" of any property/liabilities and does not relate to amalgamation or merger or demerger of companies in terms of Sections 230 to 232 of the Act, and accordingly, this Scheme and the order sanctioning this Scheme shall not be deemed to be a conveyance within the meaning of the Maharashtra Stamp Act, 1958 and therefore no stamp duty shall be payable on the Scheme and / or the order sanctioning this Scheme.
- 3.8 It is clarified that transfer of amounts standing to the credit of General Reserve to the Retained Earnings of the Company in the manner contemplated in Clause 3.1 above, should not entail or should not be deemed as any obligation on the Company for declaration or distribution of any dividend for the purposes of Section 123 of the Act, and the provisions of the said section and rules notified thereunder shall not be applicable.
- 3.9 For the removal of doubt, it is expressly recorded and clarified that the transfer of amounts standing to the credit of the General Reserve as envisaged under the scheme shall not in any manner involve distribution of revenue reserves i.e. the General Reserve.
- 3.10 The approval of the Scheme by the shareholders of the Company shall be deemed to be sufficient for the purposes of effecting the said capital reorganization in the form of transfer of General Reserve to retained earnings of the Company and no further resolution under any other applicable provisions of the Act would be required to be separately passed.

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3.11 Notwithstanding anything to the contrary in any other instrument, deed or writing, upon the Scheme being sanctioned by the Tribunal, it shall be binding upon the shareholders and all other Persons concerned.

4. ACCOUNTING TREATMENTS IN THE BOOKS OF THE COMPANY

Notwithstanding anything else contained in the Scheme, the Company shall account for the reorganization of the capital of the Company in accordance with Indian Accounting Standards (“Ind AS”) notified under Section 133 of the Companies Act 2013, under the Companies (Indian Accounting Standard) Rules, 2015, as may be amended from time to time and other accounting principles generally accepted in India, in its books of accounts such that:

- i. The amount of INR 400 Crore (Rupees Four Hundred Crore only) standing credit of the General Reserve of the Company shall be reclassified and transferred to the Retained Earnings of the Company.
- ii. The Company will pass appropriate adjustment entries in a prudent and commercially acceptable manner;
- iii. For accounting purposes, the reorganization of the capital of the Company will be given effect on the date when all substantial conditions for the reorganization of the capital of the Company are completed.

**PART III
GENERAL TERMS AND CONDITIONS**

5. EMPLOYEES

The employees of the Company shall, in no way, be affected by the Scheme, as there is no transfer of employees under the Scheme. On the Scheme becoming effective, all the employees of the Company shall continue with their employment, without any break or interruption in their services, on the same terms and conditions on which they are engaged as on the Effective Date.

6. CREDITORS

The reorganization of Capital will not cause any prejudice to the Creditors of the Company. The creditors of the Company are, in no way, affected by the proposed reorganization of capital as there is no reduction in the amount payable to any of the creditors and no compromise or arrangement is contemplated with the creditors. Further, there is no outflow of cash from the Company. Thus, the proposed arrangement would not, in any way, adversely affect the operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.



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7. COMPLIANCE WITH TAX LAWS

The Scheme is in compliance with the applicable Tax Laws. Upon the Scheme becoming effective, the Company shall continue to pay Taxes in accordance with and subject to Applicable Law.

8. LEGAL PROCEEDINGS

Upon the Scheme becoming effective, all suits, actions, administrative proceedings, tribunals proceedings, show cause notices, demands and legal proceedings of whatsoever nature by or against the Company pending and/or arising on or before the Effective Date or which may be instituted any time thereafter shall not abate or be discontinued or be in any way prejudicially affected by reason of this Scheme or by anything contained in this Scheme but shall be continued and be enforced by or against the Company.

9. APPLICATIONS/ PETITIONS TO THE TRIBUNAL

The Company shall make necessary applications before the Mumbai Bench of the National Company Law Tribunal for the sanction of this Scheme under Sections 230 of the Act and any other applicable provisions of Act.

10. MODIFICATIONS OR AMENDMENTS TO THE SCHEME

The Board may make any modifications or amendments to this Scheme at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or appropriate. The Board may consent to any conditions or limitations or may make any modifications to the Scheme that the Tribunal or any other Appropriate Authority may impose.

For the purposes of giving effect to this Scheme, the Board may give such directions including directions for settling any question or difficulty that may arise and such directions shall be binding as if the same were specifically incorporated in this Scheme.

11. CONDITION PRECEDENT

Unless otherwise decided (or waived) by the Board, the Scheme is conditional upon and subject to the following condition precedent:

- i. obtaining no-objection letter from the Stock Exchanges in relation to the Scheme under Regulation 37 of the SEBI LODR Regulations;
- ii. the Scheme being approved by the requisite majority of the Shareholders and/or such other Persons, as applicable or as may be required under the Act and as may be directed by the Tribunal;
- iii. the sanctions and orders of the Tribunal under section 230 of the Act being obtained by the Company;

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- iv. such other approvals and sanctions of any Governmental Authority as may be required in respect of the Scheme being obtained: and
- v. the certified copy of the order of the Tribunal approving the Scheme being filed with the Registrar of Companies.

It is hereby clarified that submission of this Scheme to the Tribunal and to the Appropriate Authorities for their respective approvals is without prejudice to all rights, interests, titles or defences that Company may have under or pursuant to all Applicable Laws.

12. WITHDRAWAL OF THIS SCHEME AND NON-RECEIPT OF APPROVALS

- 12.1 The Company shall be at liberty to withdraw the Scheme, any time before the Scheme becomes effective.
- 12.2 In the event of withdrawal of the Scheme under Clause 12.1 above, no rights and liabilities whatsoever shall accrue or be incurred by the Company or its shareholders or creditors or employees or any other Person.
- 12.3 In the event of any of the requisite sanctions and approvals not being obtained on or before such date as may be decided by the Company, this Scheme shall become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred upon the Company or their shareholders or creditors or employees or any other Person in terms of this Scheme.

13. COSTS

All costs, charges and expenses of the Company in relation to or in connection with the Scheme and of carrying out and implementing/ completing the terms and provisions of the Scheme and/ or incidental to the completion thereof in pursuance of the Scheme, shall be borne and paid by the Company.

14. BINDING EFFECT

This Scheme, when sanctioned by the Tribunal and upon effectiveness, shall be binding on the Company, all its shareholders, creditors and all other persons, notwithstanding anything to the contrary in any other instrument, deed or writing.

For CG Power and Industrial Solutions Limited



Company Secretary