



## SUN PHARMACEUTICAL INDUSTRIES LIMITED

### COURT CONVENED MEETING OF FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB) HOLDERS

Day	:	Tuesday
Date	:	6th June, 2006
Time	:	2.00 p.m. or immediately after the conclusion of Unsecured Creditors' Meeting whichever is later
Venue	:	Conference Hall, Hotel Taj Residency, Akota Gardens, Akota, Vadodara - 390 020, Gujarat.

<b>Contents</b>	<b>Page No.</b>
Notice of Court Convened Meeting of the FCCB Holders of Sun Pharmaceutical Industries Limited	02
Explanatory Statement under Section 393 (1)(a) of the Companies Act, 1956	03
Scheme of Arrangement under Sections 391 & 394 of the Companies Act, 1956	18
Form of Proxy	31



**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD ORIGINAL JURISDICTION  
COMPANY APPLICATION No. 188 OF 2006**

IN THE MATTER OF SEC. 391 TO 394 OF THE COMPANIES ACT, 1956;  
AND

IN THE MATTER OF

**SUN PHARMACEUTICAL INDUSTRIES LIMITED**

A Company registered under the Companies Act, 1956 and having its registered office at SPARC, Tandalja, Vadodara 390 020 in the State of Gujarat.

AND

IN THE MATTER OF THE SCHEME OF ARRANGEMENT BETWEEN SUN PHARMACEUTICAL INDUSTRIES LIMITED AND SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED IN THE NATURE OF DE-MERGER AND TRANSFER OF INNOVATIVE RESEARCH AND DEVELOPMENT BUSINESS

**SUN PHARMACEUTICAL INDUSTRIES LIMITED**

(A Company registered under the provisions of the Companies Act, 1956 and having its Registered Office at SPARC, Tandalja, Vadodara - 390 020 in the State of Gujarat).

} **APPLICANT COMPANY**

**NOTICE CONVENING THE MEETING OF FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB) HOLDERS**

To,

THE FCCB HOLDERS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED

TAKE NOTICE THAT by an order dated 24th April, 2006 passed by the Hon'ble High Court of Gujarat at Ahmedabad, the Court has directed that a Meeting of the FCCB Holders of the Company be called and convened on Tuesday, 6th June, 2006 at 2.00 p.m. or immediately after the conclusion of Unsecured Creditors' Meeting whichever is later at Conference Hall, Hotel Taj Residency, Akota Gardens, Akota, Vadodara - 390020, Gujarat, for the purpose of considering and if thought fit, approving with or without modification(s), the arrangement embodied in the Scheme of Arrangement between Sun Pharmaceutical Industries Limited and the FCCB Holders of the company in the nature of demerger and transfer of Innovative Research and Development Business of Sun Pharmaceutical Industries Limited to Sun Pharma Advanced Research Company Limited.

TAKE FURTHER NOTICE that in pursuance of the aforesaid order, a meeting of the FCCB Holders of the Applicant Company will be held on Tuesday, 6th June, 2006 at 2.00 p.m. or immediately after the conclusion of Unsecured Creditors' Meeting whichever is later at Conference Hall, Hotel Taj Residency, Akota Gardens, Akota, Vadodara - 390020, in the State of Gujarat, when you are requested to remain present.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by proxy, provided that a proxy in the prescribed form, duly signed by you is deposited by you at the Registered Office of the Company at SPARC, Tandalja, Vadodara 390 020, in the State of Gujarat not later than 48 hours before the time appointed for holding the meeting.

The Court has appointed Mr. Dilip S. Shanghvi and failing him Mr. Sudhir V. Valia to be the Chairman of the said meeting.

The Statement under Section 393 of the Companies Act, 1956, a copy of the said Scheme of Arrangement and a form of proxy are enclosed.

Dated this 3rd day of May, 2006.

**Registered Office**  
SPARC, Tandalja  
Vadodara - 390 020

**DILIP S. SHANGHVI**  
Chairman appointed for the Meeting

Note:

1. Only FCCB Holders of the Applicant Company may attend and vote (either in person or by proxy) at the FCCB Holders meeting.
2. All alterations made in the proxy form should be initialled.

Enclosure: As above

Sun Pharmaceutical Industries Ltd.

**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD ORIGINAL JURISDICTION  
COMPANY APPLICATION No. 188 OF 2006**

IN THE MATTER OF SEC. 391 TO 394 OF THE COMPANIES ACT, 1956;

AND

IN THE MATTER OF

**SUN PHARMACEUTICAL INDUSTRIES LIMITED**

A Company registered under the Companies Act, 1956 and having its registered office at SPARC, Tandalja, Vadodara 390 020 in the State of Gujarat.

AND

IN THE MATTER OF THE SCHEME OF ARRANGEMENT BETWEEN SUN PHARMACEUTICAL INDUSTRIES LIMITED AND SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED IN THE NATURE OF DE-MERGER AND TRANSFER OF INNOVATIVE RESEARCH AND DEVELOPMENT BUSINESS

**SUN PHARMACEUTICAL INDUSTRIES LIMITED**

(A Company registered under the provisions of the Companies Act, 1956 and having its Registered Office at SPARC, Tandalja, Vadodara - 390 020 in the State of Gujarat).

} **APPLICANT COMPANY**

**Explanatory Statement to Scheme of Arrangement between Sun Pharmaceutical Industries Limited and Sun Pharma Advanced Research Company Limited in the nature of demerger and transfer of Innovative Research and Development Business u/s 393 (1) (a) of the Companies Act, 1956.**

1. A Scheme of Arrangement under the provisions of the Companies Act, 1956 is proposed between Sun Pharmaceutical Industries Limited (hereinafter referred to as SPIL or the "Transferor Company" or "Demerged Company") and Sun Pharma Advanced Research Company Limited (hereinafter referred to as SPARC or the "Transferee Company" or "Resulting Company") in the nature of demerger and transfer of Innovative Research and Development Business of SPIL to SPARC. Pursuant to the said Scheme, the Honourable High Court of Gujarat has directed to hold the separate meetings of the Equity and Preference Shareholders, Secured and Un-secured Creditors and Zero Coupon Foreign Currency Convertible Bonds (FCCB) holders of Sun Pharmaceutical Industries Limited. Notice of the said meeting together with the copy of Scheme of Arrangement is sent herewith. This statement explaining the terms of the Scheme of Arrangement is being furnished as required u/s 393 (1) (a) of the Companies Act, 1956.
2. (i) The Transferor Company (SPIL) was registered on 1.3.1993 under Part IX of the Companies Act, as Public Limited Company in the Office of the Registrar of Companies, Gujarat under the Companies Act, 1956. (hereinafter referred to as 'the Act'). The Company was issued the certificate for commencement of business on 18th March 1993. The Company came out with a public issue in October 1994. Vide the order dated 19th November 1997, passed by the Hon'ble High Court of Gujarat, Tamilnadu Dadha Pharmaceuticals Limited amalgamated with the Applicant Company with effect from 1st April 1997. Similarly, vide order dated 12th February 1999, passed by the Hon'ble High Court of Gujarat, Milmet Laboratories Private Limited amalgamated with the Applicant Company with effect from 1st April 1998. Gujarat Lyka Organics Limited has also been amalgamated with the Applicant Company under the order of BIFR at its meeting held on 27.3.2000 with effect from 1st April 1999. Thereafter, vide orders dated 14th December 2000 & 27th July, 2001 passed by the Hon'ble High Court of Gujarat, Sun Pharmaceutical Exports Limited & Sun Pharmaceutical Advanced Research Centre Limited were amalgamated with the Applicant Company with effect from 1st April 2000 respectively. Pradeep Drug Company Limited was amalgamated with the Applicant Company with effect from 1st April, 2000 under the order of the Hon'ble BIFR at its meeting held on 31st January, 2002 and M.J. Pharmaceuticals Limited was amalgamated with the Applicant Company with effect from 1st January, 2002 under the order of the Hon'ble BIFR at its meeting held on 3rd May, 2002. Bazley Finvest Limited, Dhaval Finvest Limited and Manish Finvest Limited amalgamated with the Applicant Company with effect from 1st March, 2005 vide the order dated 14th July 2005, passed by the Hon'ble High Court of Gujarat. Similarly, Phlox Pharmaceuticals Limited amalgamated with the Applicant Company with effect from 1st March, 2004 vide order dated 28th July 2005, passed by the Hon'ble High Court of Gujarat.

Sun Pharmaceutical Industries Ltd.

2. (ii) The Transferee Company viz. Sun Pharma Advanced Research Company Limited (SPARC), has been recently incorporated and registered on 1.3.2006 under the Companies Act, 1956 as Public Limited Company in the office of the Registrar of Companies, Gujarat. The Resulting Company was issued the certificate for commencement of business on 22nd March 2006.
3. (i) As per the latest audited Balance Sheet of the Company as on 31.3.2005, the share capital of the Transferor Company consists of the following:

<b>Authorised Capital:</b>	
307,900,000 Equity Shares of Rs. 5/- each	Rs. 1,539,500,000
25,000,000 Pref. Shares of Re.1/- each	Rs. 25,000,000
2,015,000 Pref. Shares of Rs. 100/- each	Rs. 201,500,000
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Total	Rs. 1,766,000,000
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<b>Issued and subscribed capital:</b>	
185,511,356 Equity Shares of Rs. 5/- each	Rs. 927,556,780
14,030,430 Pref. Shares of Re.1/- each	Rs. 14,030,430
	<hr/>
Total	Rs. 941,587,210
	<hr/> <hr/>

After 31st March 2005, pursuant to the scheme of amalgamation of Phlox Pharmaceuticals Limited with the Applicant company sanctioned by the Hon'ble court vide the order passed on 28th July 2005, the Company has issued and allotted on 18th August 2005, 4274 Equity Shares of Rs. 5/- each, as per the exchange ratio of One equity share of Rs.5/- (Rupees Five only) each credited as fully paid-up for every 790 equity shares of Rs.10/- each fully paid up or for every 7900 equity shares of Rs.10/- each partly paid-up at Re.1/- per share paid up, held by such shareholder in Phlox Pharmaceuticals Limited on amalgamation of Phlox Pharmaceuticals Limited with the Applicant Company.

The Company has, further, allotted on March 31, 2006, 216,007 (Two Lacs Sixteen Thousand and Seven Only) Equity Shares of Rs.5/- each of the Company at a premium of Rs. 724.30 per share upon exercise of option of conversion for 3500 FCCBs into Equity shares of the Company by certain FCCB Holders.

On 22nd April 2006, the Company has, further, allotted 154,291 (One Lac Fifty Four Thousand Two Hundred and Ninety One) Equity Shares of Rs. 5/- each of the Company at a premium of Rs.724.30 per share upon exercise of option of conversion for 2500 FCCBs into Equity shares of the Company by a FCCB Holder.

The Company has redeemed 46896 - 6% Cumulative Redeemable Preference Shares of Re.1/- each at par value during the year ended 31st March,2006.

Consequently, the paid up Equity Share Capital of the Company has increased from 185,511,356 equity shares to 185,885,928 equity shares of Rs. 5/- each, as of date & Preference Share Capital of the Company has been reduced from 14,030,430 preference shares to 13,983,534 preference shares of Re. 1/- each, as of date.

Hence, the Authorised, Issued and subscribed capital of the Company as on today stand as under:

<b>Authorised Capital:</b>	
307,900,000 Equity Shares of Rs. 5/- each	Rs. 1,539,500,000
25,000,000 Pref. Shares of Re.1/- each	Rs. 25,000,000
2,015,000 Pref. Shares of Rs. 100/- each	Rs. 201,500,000
	<hr/>
Total	Rs. 1,766,000,000
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<b>Issued and subscribed capital:</b>	
185,511,356 Equity Shares of Rs. 5/- each	Rs. 927,556,780
<b>Add:</b>	
4274 Equity Shares of Rs. 5/- each issued on merger of Phlox Pharmaceuticals Ltd.	Rs. 21,370
216,007 Equity Shares of Rs. 5/- each issued on conversion of FCCB on 31st March,2006	Rs. 1,080,035
154,291 Equity Shares of Rs. 5/- each issued on conversion of FCCB on 22nd April,2006	Rs. 771,455
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Total (A)	Rs. 929,429,640
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Sun Pharmaceutical Industries Ltd.

14,030,430 6% Cumulative Redeemable Preference Shares of Re.1/- each	Rs. 14,030,430
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**Less:**

46896 6% Cumulative Redeemable Preference Shares of Re.1/- each Redeemed at par during October,2005 to January,2006	Rs. 46,896
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Total (B)	Rs. 13,983,534
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Total (A+B)	Rs. 943,413,174
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- 3 (ii) As per the Provisional Balance Sheet of the Company as on 31.03.2006, the Share Capital of the Resulting Company consists of the following:

**Authorised Capital:**

500,000 Equity Shares of Re.1/- each	Rs. 500,000
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**Issued, Subscribed and Paid-up:**

500,000 Equity Shares of Re.1/- each	Rs. 500,000
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4. The Transferor Company viz. Sun Pharmaceutical Industries Limited is a listed public limited company having its primary base in the State of Gujarat. Its equity shares are listed at major stock exchanges in the country at National Stock Exchange of India Ltd., & Bombay Stock Exchange Ltd., Mumbai and the Foreign Currency Convertible Bonds (FCCB) amounting to US \$350 Million issued by the Company during November/December,2004 are listed at the Singapore Exchange Limited. It is engaged in the business of manufacturing, marketing and trading of pharmaceutical products. The specialty areas of this Company are therapeutic segments like Cardiology, Psychiatry, Neurology, Gastroenterology, Orthopedics, Oncology, Gynecology, Anesthesiology, Ophthalmology, Fertility Management and Pain Management. The Applicant Company is a fast growing pharmaceutical company in the country. It ranks among the First Six of the pharmaceutical companies of the country. The Company also has a high growth potential. The manufacturing facilities are at present situate at Vapi, Silvassa, Panoli, Ahmednagar, Ankleshwar, Dadra, Chennai, Halol and Karkhadi, Padra at Vadodara.

The Company also has a huge focus on investing in Pharmaceutical Research & Development activities. The Company has its research centers with modern & state of the art machineries and laboratory equipments at SPARC, Tandalja and Akota at Vadodara, Gujarat and at Andheri (East), Mumbai. The Company has a very wide marketing network all throughout the country. It is also an exporter of formulations and bulk drugs to various Asian, African, European and CIS (former USSR) countries. The total income from operations including export turnover of about Rs.287.4 Crores was Rs.1215.13 Crores during the financial year 2004-2005. Considering the fact that the turnover/income from operations increased from Rs. 31.38 Crores in the year 1992-93 to Rs. 1215.13 Crores for the year 2004-2005, the growth rate for the Applicant has been phenomenal. It has been a consistently profit making and dividend paying Company.

5. The Transferee Company viz. Sun Pharma Advanced Research Company Limited is formed as a wholly owned subsidiary company of Sun Pharmaceutical Industries Limited on 1st March,2006 so as to facilitate the proposed de-merger and transfer of Innovative Research and Development Business of the Demerged Company. The main objects Clause of the Resulting Company include the business mainly pertaining to Research and Development primarily for pharmaceutical products.
6. The Board of Directors of both these companies thought it fit to enter into Scheme of Arrangement between Sun Pharmaceutical Industries Limited and Sun Pharma Advanced Research Company Limited and their respective shareholders and creditors in the nature of de-merger and transfer of Innovative Research and Development business (including New Drug Delivery Systems) of SPIL to SPARC for focussing on manufacturing including reverse Research & Development activities & Innovative Research & Development activities separately. This would also help to separate both the activities which have different risk and reward profiles. The main advantages arising out of the arrangement are envisaged, interalia, as under:
- (a) The Company has been making substantial investments in Research & Development activities including Innovative Research & Development activities and New Drug Delivery systems over the years. Innovative Research & Development activities (including New Drug Delivery systems) are herein after referred to as "Innovative R & D". The investments in Innovative R & D will have high risk & high return compared to manufacturing & marketing of

Sun Pharmaceutical Industries Ltd.

pharmaceutical products business and research & development based on reverse engineering science. The time frame approaches and resource requirements for process and product development are relatively certain/known and the outcome is relatively certain. On the other hand, Innovative R & D can have varying time frames and risk and its resource requirements also can be difficult to predict. However, given the right resource base and focus, the Innovative R & D offer strong potential.

- (b) The Innovative R & D business has tremendous growth and long term profitability potential and is at a stage where they require focussed management attention. Hence, simultaneously, with the re-organisation and segregation of business, SPIL intends to re-organise both the businesses and undertakings to provide focussed management attention required by the businesses which are to be segregated.
- (c) It is believed that the proposed segregation will create/unlock value for shareholders and allow a focussed strategy in operations, which would be in the best interest of SPIL, its shareholders and all persons connected with SPIL. The Demerger proposed by this Scheme of Arrangement will enable the investors to choose whether to hold investments in businesses with different investment characteristics. This may enable them to select investments, which best suit, their investment strategies and risk profiles.
- (d) The nature of risk and return involved in both these businesses is distinct from each other and consequently each business or undertaking/unit is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders. In order to enable distinct set of investors to invest in these separate businesses and to lend greater focus to the operation of each of these diverse businesses, SPIL proposes to re-organize and segregate, by way of a Demerger, its business and undertaking/unit engaged in Innovative R & D from remaining business.
- (e) The Demerger will also provide scope for independent collaboration and expansion without committing the existing organization in its entirety.

7. The material provisions of the proposed Scheme of Arrangement are as under:

#### **1. DEFINITIONS**

- 1.2. "Appointed Date" means 1st April, 2006 or such other date as may be approved by the High Court;
- 1.4 "De-merged Company" or "Transferor Company" or "SPIL" means Sun Pharmaceutical Industries Limited, a company registered under the Companies Act, 1956 and having its registered office at SPARC, Tandalja, Vadodara 390 020 in Gujarat;
- 1.6. "Effective Date" means the last of the dates on which the conditions and matters referred to in Clause 19.1 of this Scheme occur or have been fulfilled or waived and the Order of the High Court sanctioning the Scheme of Arrangement is filed with the Registrar of Companies by the De-merged Company and the Resulting Company. References in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" shall mean the Effective Date.
- 1.7 "Innovative R & D" means Innovative Research & Development activities and New Drug Delivery Systems.
- 1.8. "Innovative Research & Development Unit" means the De-merged Company's Unit, business, activities and operations pertaining to innovative Research & Development comprising all the assets (moveable and immoveable) and liabilities which relate thereto or are necessary therefor and including specifically:
  - (i) All assets of the De-merged Company pertaining to Innovative Research & Development and New Drug Delivery System with approximate net position as on 31st December,2005 is described in Part 'A' of Schedule I hereto which will be replaced by the final position of 31st March,2006 ;
  - (ii) All the debts (whether secured or unsecured), liabilities (including contingent liabilities), duties and obligations of the De-merged Company of every kind, nature and description whatsoever and howsoever accruing or arising out of , and all loans and borrowings raised or incurred and utilized for its businesses, activities and operations pertaining to Innovative Research & Development;
  - (iii) All agreements, rights, contracts, entitlements, permits, licenses, approvals, consents, engagements, arrangements and all other privileges and benefits of every kind, nature and description whatsoever relating to the De-merged Company's business, activities and operations pertaining to Innovative Research & Development;
  - (iv) All intellectual property rights, records, files, papers, data and documents relating to the De-merged Company's business, activities and operations pertaining to Innovative Research & Development including Department of Scientific & Industrial Research approvals; and

Sun Pharmaceutical Industries Ltd.

- (v) All employees engaged in or relating to the De-merged Company's business, activities and operations pertaining to Innovative Research & Development.
- 1.9 "Record Date" means the date to be fixed by the Board of Directors of the De-merged Company in consultation with the Resulting Company for the purpose of reckoning names of the equity shareholders of the De-merged Company, who shall be entitled to receive shares of the Resulting Company upon coming into effect of this Scheme as specified in Clause 10.1 of this Scheme;
- 1.10. "Remaining Undertaking" means all the undertakings, businesses, activities and operations of the De-merged Company other than those comprised in the De-merged Unit;
- 1.11. "Resulting Company" or "Transferee Company" or "SPARC" means Sun Pharma Advanced Research Company Limited, a company registered under the Companies Act, 1956 and having its registered office at SPARC, Tandalja, Vadodara 390 020 in Gujarat.

#### **4. TRANSFER OF DEMERGED UNIT**

##### **4.1 Transfer of assets:**

- (a) Upon the coming into effect of this Scheme and with effect from the Appointed Date, the De-merged Unit (including all the estate, assets, rights, claims, title, interest and authorities including accretions and appurtenances of the De-merged Unit) shall, pursuant to the provisions of Sections 391 to 394 of the Act, without any further act, deed, matter or thing be and stand transferred to and vested in and shall be deemed to be transferred to and vested in the Resulting Company on a going concern basis, in the following manner:
  - (i) the De-merged Unit (including all the rights, claims, title, interest and authorities including accretions and appurtenances thereto such as dividends, or other benefits received including in particular any securities acquired or received by the De-merged Company shall, without any further act, deed, matter or thing be De-merged from the De-merged Company and be and stand transferred to and vested in or shall be deemed to be transferred to and vested in the Resulting Company on a going concern basis such that all the properties, assets, rights, claims, title, interest, authorities and liabilities comprised in the innovative research and development Unit immediately before the demerger shall become the properties, assets, rights, claims, title, interest, authorities and liabilities of the Resulting Company by virtue of and in the manner provided in this Scheme. (ii) All assets or investments, right, title or interest acquired by the De-merged Company after the Appointed Date but prior to the Effective Date in relation to the De-merged Unit shall also, without any further act, instrument or deed, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Resulting Company upon the coming into effect of this Scheme pursuant to the provisions of Sections 391 to 394 of the Act.
- (b) Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the De-merged Unit to which the De-merged Company is a party or to the benefit of which the De-merged Company may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favour of, as the case may be, the Resulting Company in which the De-merged Unit vests by way of the demerger hereunder and may be enforced as fully and effectually as if, instead of the De-merged Company, Resulting Company had been a party or beneficiary or obligee thereto or there under.
- (c) Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the De-merged Unit occurs by virtue of this Scheme itself, the Resulting Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the De-merged Company is a party or any writings as may be necessary in order to give formal effect to the provisions of this Scheme, the Resulting Company shall, under the provisions of Part II of this Scheme, be deemed to be authorised to execute any such writings on behalf of the De-merged Company and to carry out or perform all such formalities or compliances referred to above on the part of the De-merged Company to be carried out or performed.
- (d) For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of this Scheme, all consents, permissions, licences, certificates, clearances, authorities, powers of attorney given by, issued to or executed in favour of the De-merged Company in relation to the De-merged Undertaking shall stand transferred to the Resulting Company in which the De-merged Undertaking shall vest by way of the demerger hereunder, as if the same were originally given by, issued to or executed in favour of Resulting Company, and Resulting Company shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to Resulting Company. The Resulting Company shall make applications to and obtain relevant approvals from the concerned Governmental Authorities as may be necessary in this behalf.

Sun Pharmaceutical Industries Ltd.

- (e) It is clarified that if any assets (estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to any of the De-merged Unit which the De-merged Company owns or to which the De-merged Company is a party and which cannot be transferred to the Resulting Company for any reason whatsoever, the De-merged Company shall hold such asset or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company to which the De-merged Unit is being transferred in terms of this Scheme, in so far as it is permissible so to do, till such time as the transfer is effected.

#### **4.2 Transfer of liabilities**

- 4.2.1 (a) Upon the coming into effect of this Scheme, all debts, liabilities, loans raised and used, liabilities and obligations incurred, duties or obligations of any kind, nature or description (including contingent liabilities) of the Demerged Company (as on the Appointed Date) and relating to the Demerged Unit, shall, without any further act or deed, be demerged from the Demerged Company and be and stand transferred to and be deemed to be transferred to the Resulting Company to the extent that they are outstanding as on the Effective Date and on the same terms and conditions as applicable to the Demerged Company, and shall become the debts, liabilities, duties and obligations of the Resulting Company which shall meet, discharge and satisfy the same.
- (b) Where any of the debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations of the Demerged Company as on the Appointed Date deemed to be transferred to the Resulting Company have been discharged by the Demerged Company after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Resulting Company.
- (c) All loans raised and used and all liabilities and obligations incurred by the Demerged Company for the operations of Demerged Unit after the Appointed Date and prior to the Effective Date, shall, subject to the terms of this Scheme, be deemed to have been raised, used or incurred for and on behalf of the Resulting Company in which the Demerged Unit shall vest in terms of this Scheme and to the extent they are outstanding on the Effective Date, shall also without any further act or deed be and stand transferred to and be deemed to be transferred to the Resulting Company and shall become the debts, liabilities, duties and obligations of the Resulting Company which shall meet discharge and satisfy the same. Provided however that no debts, liabilities, loans raised and used, liabilities and obligations incurred, dues and obligations shall have been assumed by the Demerged Company in relation to Demerged Unit after the Appointed Date without the prior written consent of the Resulting Company.
- 4.2.2 (a) The demerger and the transfer and vesting of the assets comprised in the Demerged Unit to and in the Resulting Company under Clause 4.1 of this Scheme shall be subject to the mortgages and charges, if any, affecting the same as hereinafter provided.
- (b) The existing securities, mortgages, charges, encumbrances or liens (the "Encumbrances") or those, if any created by the Demerged Company after the Appointed Date, in terms of this Scheme, over the assets comprised in any of Demerged Unit or any part thereof transferred to the Resulting Company by virtue of this Scheme, shall, after the Effective Date, continue to relate and attach to such assets or any part thereof to which they related or attached prior to the Effective Date and as are transferred to the Resulting Company, and such Encumbrances shall not relate or attach to any of the other assets of Resulting Company Provided however that no Encumbrances shall have been created by the Demerged Company in relation to any of the Demerged Unit after the Appointed Date without prior written consent of the Resulting Company.
- (c) In so far as any Encumbrances over the assets comprised in the Demerged Unit are security for liabilities of the Remaining Undertaking retained with the Demerged Company, 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 the Demerged Company and shall cease to operate against any of the assets transferred to the Resulting Company 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 operation of the above.
- (d) Without prejudice to the provisions of the foregoing clauses and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company shall execute any instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies, Gujarat to give formal effect to the above provisions, if required.

- (e) Upon the coming into effect of this Scheme, the Resulting Company alone shall be liable to perform all obligations in respect of the liabilities, which have been transferred to them respectively in terms of the Scheme, and the Demerged Company shall not have any obligations in respect of such liabilities, and the Resulting Company shall indemnify the Demerged Company in relation to any claim, at any time, against the Demerged Company in respect of the liabilities which have been transferred to the Resulting Company.
- (f) It is expressly provided that, save as mentioned in this Clause 4.2.2, no other term or condition of the liabilities transferred to the Resulting Company is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.
- (g) Subject to the necessary consents being obtained in accordance with the terms of this Scheme, the provisions of this Clause 4.2.2 shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document; all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.

## **8. REMAINING UNDERTAKING TO CONTINUE WITH DEMERGED COMPANY**

- 8.1 The Remaining Undertaking and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Demerged Company, subject only to Clause 4.2.2 of this Scheme in relation to Encumbrances, if any in favour of banks, financial institutions and trustees for the debenture-holders.
- 8.2 (a) All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case relating to the Remaining Undertaking (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining Undertaking) shall be continued and enforced by or against the Demerged Company after the Effective Date. The Resulting Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceeding against the Demerged Company, which relate to the Remaining Undertaking. (b) If proceedings are taken against the Resulting Company in respect of the matters referred to in subclause (a) above, it shall defend the same in accordance with the advice of the Demerged Company and at the cost of the Demerged Company, and the later shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by the Resulting Company in respect thereof.
- 8.3. With effect from the Appointed Date and up to and including the Effective Date:
  - (a) the Demerged Company shall carry on and shall be deemed to have been carrying on all businesses and activities relating to the Remaining Undertaking for and on its own behalf;
  - (b) all profits accruing to the Demerged Company thereon or losses arising or incurred by it (including the effect of taxes, if any, thereon) relating to the Remaining Undertaking shall, for all purposes, be treated as the profits or losses, as the case may be, of the Demerged Company; and
  - (c) all assets and properties acquired by the Demerged Company in relation to the Remaining Undertaking on and after the Appointed Date shall belong to and continue to remain vested in the Demerged Company.

## **9. REORGANISATION OF CAPITAL**

In consideration of the transfer and vesting of the Demerged Unit in the Resulting Company in accordance with the provisions of Part II of this Scheme and as an integral part of this Scheme, the share capital of the Resulting Company shall be increased/amended in the manner set out in Clauses 10 to 13 below.

## **10. ISSUE OF SHARES BY RESULTING COMPANY**

- 10.1 After the Scheme takes effect, in consideration of the demerger including the transfer and vesting of the Demerged Unit in the Resulting Company pursuant to Part II of this Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each member of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record Date equity shares in the Resulting Company in the following ratio:

In the ratio of 1 (one) equity share in the Resulting Company of the face value of Re.1/- (Rupee one only) each credited as fully paid-up for every 1 (one) equity share of Rs.5/- (Rupees five only) each fully paid-up held by such member or his/her/its heirs, executors, administrators or successors in the Demerged Company.

- 10.2 (a) Subject to legal advice, pursuant to the provisions of Clause 10.1 above, the Resulting Company may issue, without any extra payment required by Zero Coupon Foreign Currency Convertible Bonds (FCCB) holder, to the Depository representing the holders of FCCBs of the Demerged Company, equity shares of Re.1/- each of the Resulting Company in addition to and equivalent to the entitlement of the equity shares of the Demerged Company at the time of exercise of the option of the conversion being exercised by such holders of FCCBs in terms of the Offering Circular dated 24 November,2004 for FCCB i.e. at the conversion price of Rs.729.30 per share with a fixed rate of exchange on conversion of Rs.45.01 = U.S.\$1.00. Accordingly, the FCCB holder shall get one equity share of Rs.5/- each of the De-merged Company along with one equity share of Re.1/- each of the Resulting Company. However, in all respects, the rights of the FCCB holders to receive the shares of the Resulting Company shall be treated as if he is the shareholder of the Demerged Company in case the right to convert the shares is exercised pursuant to the Offering Circular.
- (i) Provided however that, subject to legal advice, the closing price as referred to in Para 8(B) of Terms and Conditions of the Offering Circular shall be construed to be the aggregate of such closing price of both of the companies i.e., Transferor Company and Transferee Company.
- (ii) Provided however that, subject to legal advice, for the purposes of determining Extraordinary Dividend as referred to in Para 6C(iv) of Terms and Conditions of the Offering Circular, 3% of the Average Closing Price shall be determined by taking the aggregate of closing price and dividend declared of both the companies i.e., Transferor Company and Transferee Company.
- (b) In the eventuality of the proposed arrangement as mentioned above under clause 10.2.(a) is not accepted in line with the Offering Circular dated 24th November,2004 and legal view, then any such suitable alternative may be worked out in which case the Bond Holder may be rewarded for the value of the shares of the Resulting Company as valued by the commercial bank of international repute subject to change in conversion price. However both the conditions namely 10.2.(a) and 10.2.(b) shall be mutually exclusive.
- (c) In the event the FCCB holder(s) do not exercise the option of conversion, then the Transferor Company will redeem the Bonds in terms of Clause-8 under the heading Terms and Conditions of the Bonds of the Offering Circular and the Transferee Company shall not have any obligation with regard to the liability of repayment of the said Bonds which have been raised with specific objectives/ activities.
- 11.1 The equity shares to be issued by the Resulting Company pursuant to Clause 10 above shall be issued in dematerialized form by the Resulting Company, unless otherwise notified in writing by the shareholders of the Demerged Company to the Resulting Company on or before such date as may be determined by the Board of Directors of the Demerged Company or a committee thereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the equity shares shall be issued to such members in dematerialised form provided that the members of the Resulting Company shall be required to have an account with a depository participant and shall be required to provide details thereof and such other confirmations as may be required. In the event that a Resulting Company has received notice from any member that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her /its account with a depository participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of the Resulting Company, then the Resulting Company shall issue equity shares in physical form to such member or members.
- 11.2 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Demerged Company, the Board of Directors or any committee thereof of the Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in the Demerged Company as if such changes in the registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or transferee of equity shares in Resulting Company issued by the Resulting Company after the effectiveness of this Scheme.
- 11.3 The new equity shares issued and allotted by the Resulting Company in terms of this Scheme shall be subject to the provisions of the Memorandum and Articles of Association of the Resulting Company and shall inter-se rank pari passu in all respects.
- 11.4 Equity shares of the Resulting Company issued in terms of Clause 10 of this Scheme will be listed and/or admitted to trading on the National Stock Exchange and/or the Bombay Stock Exchange Ltd. where the shares of the Demerged Company are listed and/or admitted to trading in terms of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. The Resulting Company shall enter into such arrangements and give such confirmations and/or Units as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said Stock Exchanges. On such formalities being fulfilled the said Stock exchanges shall list and / or admit such equity shares also for the purpose of trading.

- 11.5 For the purpose of issue of equity shares to the shareholders of the Demerged Company, the Resulting Company shall, if and to the extent required, apply for and obtain the required statutory approvals including approval of Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the Resulting Company of such equity shares.
- 11.6 The equity shares to be issued by the Resulting Company pursuant to this Scheme in respect of any equity shares of the Demerged Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise shall pending allotment or settlement of dispute by order of Court or otherwise, be held in abeyance by the Resulting Company.
- 11.7 Unless otherwise determined by the Board of Directors or any committee thereof of the Demerged Company and the Board of Directors or any committee thereof of the Resulting Company, issuance of equity shares in terms of Clause 10 above shall be done within 60 days from the Date of sanction of this scheme by the Honourable Court.
- 11.8 For the Purpose of Income Tax as per the expert opinion received by the Demerged Company :
- (a) The cost of acquisition of the shares of the Resulting Company in the hands of the shareholders of the Demerged Company shall be the amount which bears to the cost of acquisition of shares held by the shareholder in the Demerged Company the same proportion as the book value of the net assets transferred in the demerger to the Resulting Company bears to the net worth of the Demerged Company immediately before the demerger hereunder.
- (b) The period for which the share(s) in Demerged Company were held by the shareholders shall be included in determining the period for which the shares in the Resulting Company have been held by the respective shareholder.

## 12. Amendment in share capital

- (a) Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Transferee Company (relating to authorised share capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, in the manner set out below and be replaced by the following clause:

“The authorised share capital of the Company is Rs.26,65,00,000/- (Rupees Twenty Six Crores Sixty Five Lacs only) divided into 26,65,00,000 (Twenty Six Crores Sixty Five Lacs) Equity Shares of Re. 1/- (Rupee one only) each with power to classify or reclassify, increase or reduce the capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with the power to divide the share capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special rights, privileges or condition including as to voting and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with these present and the Articles of Association.

- (b) Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Transferor Company (relating to authorised share capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, in the manner set out below and be replaced by the following clause:

“The authorised share capital of the Company is Rs.1500,000,000/- (Rupees One Thousand Five Hundred Million only) divided into 254,700,000 (Two Hundred Fifty Four Million and Seven Hundred Thousand) Equity Shares of Rs. 5/- (Rupees Five only) each, 25,000,000 (Twenty Five Million) Preference Shares of Re.1/- (Rupee one only) each and 2,015,000 (Two Million and Fifteen Thousand) Preference Shares of Rs.100/- (Rupees One Hundred only) each with power to classify or reclassify, increase or reduce the capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with the power to divide the share capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special rights, privileges or condition including as to voting and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with these present and the Articles of Association.

**Members are requested to read the entire text of the Scheme of Arrangement to get fully acquainted with the provisions thereof.**

8. The financial position of the Applicant Company will not be adversely affected by the Scheme of Arrangement. The financial position of the Applicant Company will continue to remain strong and it will be able to meet and pay its debts as and when they arise.
9. The rights and interests of the members and the creditors of the Applicant Company and the Resulting Company will not be prejudicially affected by the Scheme.
10. The Scheme of Arrangement was approved by the Board of Directors of both the Applicant Company and the Resulting Company on 9th of February, 2006 and on 1st of March, 2006 respectively.
11. The Applicant Company has received no objection letters from the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for filing the Scheme with the Honourable High Court of Gujarat at Ahmedabad.
12. On the Scheme of Arrangement being approved as per the requirements of Section 391 of the Act, the Applicant Company and the Resulting Company will seek the sanction of the Honourable High Court of Gujarat at Ahmedabad to the Scheme of Arrangement.
13. The Directors of each of the Applicant Company and the Resulting Company may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in the Companies, or to the extent the said directors are common directors in the Companies, or to the extent the said directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust that hold shares in any of the companies or to the extent they may be allotted shares in the Resulting Company as a result of the Scheme of Arrangement.
14. Several Members of the Board of Directors of both the Companies hold shares of any one or both the companies as per the details given below:

<b>Names of Directors in Transferor Co. (SPIL)</b>	<b>No. of Equity Shares held in Transferee Co. (SPARC)</b>	<b>No. of Equity Shares held in Transferor Co. (SPIL)</b>
Mr. Dilip S. Shanghvi	1*	23412048
Mr. Sudhir V. Valia	1*	1538400
Mr. Sailesh T. Desai	1*	471120
Mr. S. Mohanchand Dadha	—	28428
Mr. Hasmukh S Shah	—	—
Mr. Keki Minoo Mistry	—	—
Mr. Ashwin Dani	—	—
<b>Names of Directors in Transferee Co. (SPARC)</b>	<b>No. of Equity Shares held in Transferee Co. (SPARC)</b>	<b>No. of Equity Shares held in Transferor Co. (SPIL)</b>
Mr. Dilip S. Shanghvi	1*	23412048
Mr. Sudhir V. Valia	1*	1538400
Mr. Sailesh T. Desai	1*	471120

\* holding share as a nominee and for and on behalf of SPIL.

15. The background of the Board of Directors of SPIL is as follows:

Sr. No.	Names of Directors	Designation	Age (years)	Educational Qualification
1.	Mr. Dilip S. Shanghvi	Chairman and Managing Director	50	B.Com
2.	Mr. Sudhir V. Valia	Whole Time Director	49	B.Com.,C.A.
3.	Mr. Sailesh T. Desai	Whole Time Director	51	B.Sc.
4.	Mr. S. Mohanchand Dadha	Director	69	I.Sc.
5.	Mr. Hasmukh S. Shah	Director	71	M.A. (Economics)
6.	Mr. Keki Mino Mistry	Director	51	FCA & Member of Michigan Michigan Assn. of Certified Public Accountants, USA.
7.	Mr. Ashwin S. Dani	Director	63	B.Sc. (Hons), B.Sc. (Tech) MS I. Polymer Science & Dip. in Colour Science.

16. The shareholding pattern of the Applicant Company as on 22nd April, 2006 is as follows:

Sl. No.	Category	No. of Equity Shares of Rs. 5/- each	Percentage of Holding
<b>A.</b>	<b>Promoters' Holding</b>		
	<b>1 Promoters</b>		
	Indian Promoters	122177389	65.73
	Foreign Promoters	Nil	Nil
	<b>2 Persons Acting in Concert</b>	10314888	5.55
	<b>Sub-Total</b>	132492277	71.28
<b>B.</b>	<b>Non-Promoters' Holding</b>		
	<b>3 Institutional Investors</b>		
	A Mutual Funds and UTI	1604670	0.86
	B Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions / Non-Government Institutions)	3285841	1.77
	C FIs and Foreign Mutual Funds	29668685	15.96
	<b>Sub-Total</b>	34559196	18.59
	<b>4 Others</b>		
	A Private Corporate Bodies	5917733	3.18
	B NRIs/OCBs	153380	0.08
	C Indian Public	12742628	6.86
	D Any Other - Clearing Members	20714	0.01
	<b>Sub - Total</b>	18834455	10.13
	<b>GRAND TOTAL</b>	185885928	100.00

The shareholding pattern post the Scheme of Arrangement shall remain the same.

Further, on sanction of the scheme of Arrangement, there would not be any change in management control of the Applicant Company.

Sun Pharmaceutical Industries Ltd.

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17. Presently, the whole of the share capital of the Resulting Company is held by the Applicant Company. On sanction of Scheme of Arrangement, the shareholding pattern of the Resulting Company would be as under based upon the present position of shareholding of the Applicant Company.

Sl. No.	Category	No. of Equity Shares of Re. 1/- each	Percentage of Holding
<b>A.</b>	<b>Promoters' Holding</b>		
	<b>1 Promoters</b>		
	Indian Promoters	122177389	65.73
	Foreign Promoters	Nil	Nil
	<b>2 Persons Acting in Concert</b>	10314888	5.55
	<b>Sub-Total</b>	132492277	71.28
<b>B.</b>	<b>Non-Promoters' Holding</b>		
	<b>3 Institutional Investors</b>		
	A Mutual Funds and UTI	1604670	0.86
	B Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	3285841	1.77
	C FIs and Foreign Mutual Funds	29668685	15.96
	<b>Sub-Total</b>	34559196	18.59
	<b>4 Others</b>		
	A Private Corporate Bodies	5917733	3.18
	B NRIs/OCBs	153380	0.08
	C Indian Public	12742628	6.86
	D Any Other - Clearing Members	20714	0.01
	<b>Sub-Total</b>	18834455	10.13
	<b>GRAND TOTAL</b>	185885928	100.00

Further, on sanction of the scheme of Arrangement, there would not be any change in management control of the Resulting Company.

18. The capital structure of the Applicant Company on the scheme being effective will be as under:

**Authorised Capital:**

254,700,000 Equity Shares of Rs. 5/- each	Rs. 1,273,500,000
25,000,000 Pref. Shares of Re.1/- each	Rs. 25,000,000
2,015,000 Pref. Shares of Rs.100/- each	Rs. 201,500,000
<b>Total</b>	<b>Rs. 1,500,000,000</b>

185,885,928 Equity Shares of Rs. 5/- each	Rs. 929,429,640
13,983,534 6% Cumulative Redeemable Preference Shares of Re.1/- each	Rs. 13,983,534
<b>Total</b>	<b>Rs. 943,413,174*</b>

\* Subject to increase for any issue of shares on conversion of FCCBs.

19. The capital structure of the Resulting Company on the scheme being effective, will be as under:

**Authorised Capital:**

266,500,000 Equity Shares of Re.1/- each	Rs. 266,500,000
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**Issued, Subscribed and Paid-up:**

185,885,928 Equity Shares of Re.1/- each	Rs. 185,885,928*
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\* Subject to increase for any issue of shares on conversion of FCCBs.

20. Summary of the audited financial position of the Transferor Company (SPIL) for the year ended March 31, 2005, March 31, 2004 and March 31, 2003 is enclosed as Annexure A. Further, the Published Unaudited Financial Results for the period of 9 months ended 31st December, 2005 is enclosed as Annexure B

Sun Pharmaceutical Industries Ltd.

21. The Transferee Company (SPARC) is incorporated on 1st March,2006. Briefly stated, the financial position of the Transferee Company (SPARC) as on March 31,2006 (Provisional) is as under:

<b>Liabilities</b>	<b>Value Rs.</b>	<b>Assets</b>	<b>Value Rs.</b>
Share Capital	500000	Cash & Bank Balances	500000
Current Liabilities	22000	Miscellaneous Expenditure	22000
<b>Total</b>	<b>522000</b>	<b>Total</b>	<b>522000</b>

22. Inspection of the following documents may be had at the Registered Office of the Applicant Company on any working day, between 11.00 a.m. to 1.00 p.m., till the date of meeting.
- i) Copies of the Applications moved before the Hon'ble Gujarat High Court for convening the meetings and Orders dated 24th April, 2006 of this Hon'ble Court convening the meetings.
  - ii) Scheme of Arrangement.
  - iii) Memorandum and Articles of Association of both the Companies.
  - iv) Audited Accounts for the year ended on March 31, 2005, March 31, 2004 and March 31, 2003 of Sun Pharmaceutical Industries Ltd. & Provisional Balance Sheet as at March 31, 2006 of Sun Pharma Advanced Research Company Limited.
  - v) Copies of the no objection letters dated 31st March,2006 and 10th April, 2006 received by Sun Pharmaceutical Industries Ltd. respectively from the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited.

Place : Mumbai  
Dated : 3rd May, 2006.

**DILIP S. SHANGHVI**  
Chairman appointed for the Meeting

## Annexure A

### SUMMARY OF AUDITED FINANCIAL STATEMENTS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED FOR THE 3 YEARS ENDED:

BALANCE SHEET	As at 31st March, 2005		As at 31st March, 2004		As at 31st March, 2003	
	Rs. in Million	Rs. in Million	Rs. in Million	Rs. in Million	Rs. in Million	Rs. in Million
<b>Sources of Funds</b>						
<b>Shareholders' Funds</b>						
Share Capital	941.6		618.3		622.2	
Share Capital Suspense	0.1		0.1			
Reserves and Surplus	10,112.8	11,054.5	7,977.3	8,595.7	6,340.0	6,962.2
<b>Loan Funds</b>						
Secured Loans	139.2		514.6		92.4	
Unsecured Loans	18,007.3	18,146.5	2,607.9	3,122.5	41.3	133.7
<b>Deferred Tax Liability (Net)</b>		853.0		740.6		287.5
<b>TOTAL</b>		<b>30,054.0</b>		<b>12,458.8</b>		<b>7,383.4</b>
<b>APPLICATIONS OF FUNDS</b>						
<b>Fixed Assets</b>						
Gross Block	6,120.5		5,100.8		3,403.4	
Less: Depreciation / Amortisation / Impairment and Lease Terminal Adjustment	1,729.0		1,428.9		1,090.0	
Net Block	4,391.5		3,671.9		2,313.4	
Capital Work-in-Progress (Including advances on capital account)	479.4	4,870.9	260.7	3,932.6	673.9	2,987.3
<b>Investments</b>						
Current Assets, Loans and advances		9,852.4		5,589.3		856.1
Inventories	1,866.2		1,614.5		1,556.2	
Sundry Debtors	2,349.7		1,283.7		1,971.6	
Cash and Bank Balances	8,900.3		757.5		786.8	
Loans and advances	4,429.1		1,150.6		554.6	
	17,545.3		4,806.3		4,869.2	
<b>Less: Current Liabilities and Provisions</b>						
Current Liabilities	1,370.1		1,135.7		776.0	
Provisions	844.5		733.7		553.2	
	2,214.6	15,330.7	1,869.4	2,936.9	1,329.2	3,540.0
<b>TOTAL</b>		<b>30,054.0</b>		<b>12,458.8</b>		<b>7,383.4</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
	Year ended 31st March, 2005		Year ended 31st March, 2004		Year ended 31st March, 2003	
<b>INCOME</b>	Rs. in Million	Rs. in Million	Rs. in Million	Rs. in Million	Rs. in Million	Rs. in Million
Income from Operations	12,151.3		9,446.3		7,244.1	
Other Income	317.1	12,468.4	151.2	9,597.5	85.5	7,329.6
<b>EXPENDITURE</b>						
Cost of Materials / Goods	5,563.9		3,803.7		2,498.6	
Indirect Taxes	412.4		378.7		281.4	
Personnel Cost	827.8		685.5		498.5	
Operating and Other Expenses	2,101.2		1,554.0		1,331.4	
Depreciation / Amortisation	328.3	9,233.6	235.5	6,657.4	191.4	4,801.3
<b>PROFIT BEFORE TAXATION</b>		<b>3,234.8</b>		<b>2,940.1</b>		<b>2,528.3</b>
Provision for Taxation - Current Tax		65.3		85.3		157.8
- Deferred Tax		112.4		261.2		56.4
<b>PROFIT AFTER TAX</b>		<b>3,057.1</b>		<b>2,593.6</b>		<b>2,314.1</b>
Prior period adjustment-Deferred Tax		—		187.6		—
<b>Profit After Tax and prior period adjustment</b>		<b>3,057.1</b>		<b>2406.0</b>		<b>2,314.1</b>

Sun Pharmaceutical Industries Ltd.

## Annexure B

SUMMARY OF UNAUDITED FINANCIAL RESULTS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED FOR THE NINE MONTHS ENDED DECEMBER 31, 2005

Particulars	Rs. in Million Nine months ended December 31, 2005
<b>Income</b>	
Gross Sales/Income from Operations	10405.8
Less: Excise Duty	467.6
Net Sales/Income from Operations	9938.2
Share of Income from Firm	2969.3
Other Income	97.6
Net Interest Income	500.8
Total Income	13505.9
<b>Expenditure</b>	
Increase in Stock in Trade	(422.6)
Material Cost	6787.9
Staff Cost	781.2
Other Indirect Taxes	327.3
Other Expenditure	2131.8
Total Expenditure	9605.6
<b>Profit Before Depreciation &amp; Tax</b>	<b>3900.3</b>
Depreciation/Amortisation	302.2
<b>Profit Before Tax</b>	<b>3598.1</b>
Provision for Tax	144.1
<b>Profit after Tax</b>	<b>3454.0</b>

Sun Pharmaceutical Industries Ltd.

**SCHEME OF ARRANGEMENT BETWEEN  
SUN PHARMACEUTICAL INDUSTRIES LIMITED (SPIL)  
AND  
SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED (SPARC)  
AND  
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS  
UNDER SECTION 391 & 394 OF THE COMPANIES ACT, 1956**

**PREAMBLE**

**A. Description of Companies:**

- (a) The Demerged Company (Transferor Company), viz. Sun Pharmaceutical Industries Limited ("SPIL") is engaged in the business of manufacturing, marketing and trading of pharmaceutical products. The speciality areas of this Company are therapeutic segments like cardiology, psychiatry, neurology, gastroenterology, orthopedics, oncology, gynecology, anesthesiology, ophthalmology, fertility management and pain management. The Transferor Company is a fast growing pharmaceutical company in the country. It ranks among the first six of the pharmaceutical companies of the country. The Company also has a high growth potential. The manufacturing facilities are at present situated at Vapi, Silvassa, Panoli, Ahmednagar, Ankleshwar, Dadra, Halol and Chennai. The Company also has, through its subsidiary companies, manufacturing facilities situated at Detroit, New Jersey and Ohio in U.S.A., Hungary and Bangladesh. The Company is also spending/investing heavily in Pharmaceutical Research & Development activities. The Company has its research centers with modern & state of the art machineries and laboratory equipments at SPARC, Tandalja and Akota at Vadodara and at Andheri(East), Mumbai. This comprises of labs that work on process chemistry, product development, analytical etc.; which in turn produce reverse engineering based bulk actives and formulations as well as a few projects in New Chemical Entities (NCE) or New Drug Delivery Systems(NDDS).The Company has a very wide marketing network all throughout the country. It is also an exporter of formulations and bulk drugs to various Asian, African, European, American and CIS (former USSR) countries. It is a listed public limited company at major stock exchanges in the country at National Stock Exchange & the Bombay Stock Exchange and the Foreign Currency Convertible Bonds(FCCB) amounting to US \$350 Millions issued by the Company during November/December,2004 are listed at the Singapore Exchange Securities Trading Limited.The turnover/income of the Company from operations is Rs.1215.13 crores for the year 2004-2005 including export turnover of about Rs.287.41 Crores. It is a profit making and dividend paying Company.
- (b) The Resulting Company/The Transferee Company viz. Sun Pharma Advanced Research Company Limited (SPARC) has been incorporated as the wholly owned subsidiary of the Transferor Company on 1st March,2006 .

**B. Rationale for the Scheme of Arrangement:**

- (a) The Company has been making substantial investments in Research & Development activities including **Innovative Research & Development activities and New Drug Delivery systems** over the years. **Innovative Research & Development activities (including New Drug Delivery systems)** are herein after referred to as "**Innovative R & D**". The investments in Innovative R & D will have high risk & high return compared to manufacturing & marketing of pharmaceutical products business and research & development based on reverse engineering science. The time frame approaches and resource requirements for process and product development are relatively certain/known and the outcome is relatively certain. On the other hand, innovative research, both for NCE and NDDS can have varying time frames and risk. Resource requirements also can be difficult to predict. However, given the right resource base and focus, the Innovative R& D offer strong potential.
- (b) The Innovative R & D business has tremendous growth and long term profitability potential and is at a stage where they require focused management attention. Hence, simultaneously, with the re-organisation and segregation of business, SPIL intends to re-organise both the businesses and undertakings to provide focused management attention required by the businesses which are to be segregated .
- (c) It is believed that the proposed segregation will create/unlock value for shareholders and allow a focused strategy in operations, which would be in the best interest of SPIL, its shareholders and all persons connected with SPIL. The demerger proposed by this Scheme of Arrangement will enable the investors to choose whether to hold investments in businesses with different investment characteristics. This may enable them to select investments which best suit their investment strategies and risk profiles.

Sun Pharmaceutical Industries Ltd.

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- (d) The nature of risk and return involved in both these businesses is distinct from each other and consequently each business or undertaking/unit is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders. In order to enable distinct set of investors to invest in these separate businesses and to lend greater focus to the operation of each of these diverse businesses, SPIL proposes to re-organize and segregate, by way of a demerger, its business and undertaking/unit engaged in Innovative R & D from remaining business.
- (e) The demerger will also provide scope for independent collaboration and expansion without committing the existing organization in its entirety.
- (f) The Board of Directors of the Demerged Company are of the opinion that the demerger would benefit the shareholders, employees and other stakeholders of the Demerged Company.

With the aforesaid objectives, it is proposed to demerge SPIL's Unit comprising of SPIL's interests in Innovative R & D business.

#### **C. Purpose of the Scheme:**

- (a) It is therefore proposed that SPIL's Unit comprising of SPIL's interests in Innovative R & D business be segregated and demerged, pursuant to a Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 and transferred to a separate company for achieving independent focus in these areas. SPIL will continue its interests in the businesses of manufacturing & marketing of pharmaceutical products and research & development based on reverse engineering science.
- (b) With the aforesaid objective and to give effect to the terms of this Scheme of Arrangement, SPARC has been incorporated as the wholly owned subsidiary of the Transferor Company with the main objects relating to the Research & Development.
- (c) In furtherance of the aforesaid, this Scheme of Arrangement provides for:
  - (i) the demerger of Innovative Research & Development and Drug Delivery System Unit (as Innovative Research & Development Undertaking defined hereinafter) from SPIL to SPARC, Resulting Company; (ii) various other matters consequential or otherwise integrally connected herewith, including the reorganization of the capital of SPIL and SPARC;
- (d) The demerger of Innovative R & D Unit of SPIL under this Scheme of Arrangement will be effected under the provisions of Sections 391 to 394 of the Companies Act, 1956. The demerger complies with the provisions of Section 2(19AA) of the Income Tax Act, 1961, such that:
  - (i) all the properties of the Demerged Unit (as defined hereinafter) being transferred by SPIL immediately before the demerger become the properties of the Resulting Company by virtue of the demerger; (ii) All the liabilities relating to the Demerged Unit being transferred by SPIL, immediately before the demerger become the liabilities of the Resulting Company by virtue of the demerger; (iii) The properties and the liabilities, if any, relating to the Demerged Unit being transferred by SPIL are transferred to the Resulting Company at the values appearing in the books of account of SPIL immediately before the demerger; (iv) the Resulting Company issues shares to the shareholders of SPIL in consideration of the demerger on a proportionate basis; (v) The shareholders of SPIL shall become the shareholders of the Resulting Company by virtue of the demerger; and (vi) The transfer of the Demerged Unit will be on a going concern basis.

#### **D. Parts of the Scheme:**

This Scheme of Arrangement is divided into the following parts:

- (i) PART I which deals with the definitions and share capital of the Demerged Company and the Resulting Company;
- (ii) PART II which deals with the demerger of the Demerged Unit (as defined hereinafter) to the Resulting Company,
- (iii) PART III which deals with the Remaining Undertaking (as defined hereinafter) of the Demerged Company;
- (iv) PART IV which deals with the re-organisation of capital of the Demerged Company and of the Resulting Company;
- (v) PART V which deals with accounting treatment for the demerger in the books of the Demerged Company and the Resulting Company;
- (vi) PART VI which deals with general terms and conditions applicable to this Scheme of Arrangement.

## **PART I**

### **DEFINITIONS AND SHARE CAPITAL**

#### **1. Definitions**

In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meaning:

- 1.1. "Act" means the Companies Act, 1956 and includes any statutory re-enactment or modification thereof, or amendment thereto, from time to time;
- 1.2. "Appointed Date" means 1st April, 2006 or such other date as may be approved by the High Court;
- 1.3. "Court" or "High Court" means the High Court of Judicature at Ahmedabad, and shall include the National Company Law Tribunal, if applicable;
- 1.4. "Demerged Company" or "Transferor Company" or "SPIL" means Sun Pharmaceutical Industries Limited, a company registered under the Companies Act, 1956 and having its registered office at SPARC, Tandalja, Vadodara 390 020 in Gujarat;
- 1.5. "Demerged Unit" means the Demerged Company's Unit, business, activities and operations pertaining to Innovative R & D comprising all the assets (moveable and immoveable) and liabilities, which relate thereto or are necessary therefor and including specifically the following:
  - (i) All investments of the Demerged Company and other assets through which the Demerged Company carries on its business, activities and operations pertaining to the Innovative R & D and the approximate position of net assets as on 31st December,2005 is described in Part 'A' of Schedule I hereto which will be replaced by the final position of 31st March,2006;
  - (ii) All the debts (whether secured or unsecured), liabilities (including contingent liabilities), duties and obligations of the Demerged Company of every kind, nature and description whatsoever and howsoever accruing or arising out of, and all loans and borrowings raised or incurred and utilized for its businesses, activities and operations pertaining to Innovative R & D;
  - (iii) All agreements, rights, contracts, entitlements, permits, licences, approvals, consents, engagements, arrangements and all other privileges and benefits of every kind, nature and description whatsoever relating to the Demerged Company's business, activities and operations pertaining to Innovative R & D;
  - (iv) All intellectual property rights, records, files, papers, data and documents relating to the Demerged Company's business, activities and operations pertaining to innovative research & development including Department of Scientific & Industrial Research approvals ; and
  - (v) All employees engaged in or relating to the Demerged Company's business, activities and operations pertaining to Innovative R & D.
- 1.6. "Effective Date" means the last of the dates on which the conditions and matters referred to in Clause 19.1 of this Scheme occur or have been fulfilled or waived and the Order of the High Court sanctioning the Scheme of Arrangement is filed with the Registrar of Companies by the Demerged Company and the Resulting Company. References in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" shall mean the Effective Date.
- 1.7. "Innovative R & D" means Innovative Research & Development activities and New Drug Delivery Systems.
- 1.8. "Innovative Research & Development Unit" means the Demerged Company's Unit, business, activities and operations pertaining to Innovative Research & Development comprising all the assets (moveable and immoveable) and liabilities which relate thereto or are necessary therefor and including specifically:
  - (i) All assets of the Demerged Company pertaining to Innovative Research & Development and New Drug Delivery System with approximate net position as on 31st December,2005 is described in Part 'A' of Schedule I hereto which will be replaced by the final position of 31st March,2006 ;
  - (ii) All the debts (whether secured or unsecured), liabilities (including contingent liabilities), duties and obligations of the Demerged Company of every kind, nature and description whatsoever and howsoever accruing or arising out of and all loans and borrowings raised or incurred and utilized for its businesses, activities and operations pertaining to Innovative Research & Development ;
  - (iii) All agreements, rights, contracts, entitlements, permits, licences, approvals, consents, engagements, arrangements and all other privileges and benefits of every kind, nature and description whatsoever relating to the Demerged Company's business, activities and operations pertaining to Innovative Research & Development;

(iv) All intellectual property rights, records, files, papers, data and documents relating to the Demerged Company's business, activities and operations pertaining to Innovative Research & Development including Department of Scientific & Industrial Research approvals; and

(v) All employees engaged in or relating to the Demerged Company's business, activities and operations pertaining to Innovative Research & Development.

1.9 "Record Date" means the date to be fixed by the Board of Directors of the Demerged Company in consultation with the Resulting Company for the purpose of reckoning names of the equity shareholders of the Demerged Company, who shall be entitled to receive shares of the Resulting Company upon coming into effect of this Scheme as specified in Clause 10.1 of this Scheme;

1.10. "Remaining Undertaking" means all the undertakings, businesses, activities and operations of the Demerged Company other than those comprised in the Demerged Unit;

1.11. "Resulting Company" or "Transferee Company" or "SPARC" means Sun Pharma Advanced Research Company Limited a company registered under the Companies Act, 1956 and having its registered office at SPARC, Tandalja, Vadodara 390 020 in Gujarat.

1.12. "Schedules" shall mean the schedules to this Scheme.

1.13. "Scheme" or "Scheme of Arrangement" means this composite Scheme of Arrangement including any modification or amendment hereto.

## 2. Share Capital

### 2.1 Demerged Company

The share capital structure of the Demerged Company as on March 31, 2006 is as under:

<b>Authorised Capital</b>	<b>Rupees (In Millions)</b>
307,900,000 Equity Shares of Rs. 5/- each	1539.5
25,000,000 Preference Shares of Re.1/- each	25.0
2,015,000 Preference Shares of Rs. 100/- each	201.5
<b>Total</b>	1766.0
<b>Issued, Subscribed and Paid-up</b>	
185,731637 Equity Shares of Rs. 5/- each	928.7
13,983,534 Preference Shares of Re.1/- each	14.0
<b>Total</b>	942.7

The equity shares of the Demerged Company are listed on Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The Company is awaiting the formal letter of approval for delisting from the Calcutta Stock Exchange Association Limited. The FCCBs (Foreign Currency Convertible Bonds) of the Demerged Company are listed on the Singapore Exchange Securities Trading Limited.

### 2.2 Resulting Company:

(a) The share capital structure of Sun Pharma Advanced Research Company Limited, Resulting Company as on March 31, 2006 is as under:

<b>Authorised Capital</b>	<b>Rupees(In Millions)</b>
500,000 Equity Shares of Re.1/- each	0.5
<b>Issued, Subscribed and Paid-up</b>	
500,000 Equity Shares of Re.1/- each	0.5

The equity shares of Sun Pharma Advanced Research Company Limited, Resulting Company are, at present, not listed on any Stock Exchange.

The Resulting Company is presently a wholly owned subsidiary of SPIL. After issue of shares by Resulting Company in terms of Clause 10.1 and 13.2.(d) of this Scheme, the Resulting Company would cease to be subsidiary of SPIL.

3. Date when the Scheme comes into Operation: Though this Scheme shall become effective from the Effective Date, the provisions of this Scheme shall be applicable and come into operation from the Appointed Date.

## **PART II :**

### **DEMERGED UNIT**

#### **4. Transfer of Demerged Unit**

##### 4.1 Transfer of assets:

- (a) Upon the coming into effect of this Scheme and with effect from the Appointed Date, the Demerged Unit (including all the estate, assets, rights, claims, title, interest and authorities including accretions and appurtenances of the Demerged Unit) shall, pursuant to the provisions of Sections 391 to 394 of the Act, without any further act, deed, matter or thing be and stand transferred to and vested in and shall be deemed to be transferred to and vested in the Resulting Company on a going concern basis, in the following manner:
- (i) The Demerged Unit (including all the rights, claims, title, interest and authorities including accretions and appurtenances thereto such as dividends, or other benefits received including in particular any securities acquired or received by the Demerged Company shall, without any further act, deed, matter or thing be demerged from the Demerged Company and be and stand transferred to and vested in or shall be deemed to be transferred to and vested in the Resulting Company on a going concern basis such that all the properties, assets, rights, claims, title, interest, authorities and liabilities comprised in the innovative research and development Unit immediately before the demerger shall become the properties, assets, rights, claims, title, interest, authorities and liabilities of the Resulting Company by virtue of and in the manner provided in this Scheme.
  - (ii) All assets or investments, right, title or interest acquired by the Demerged Company after the Appointed Date but prior to the Effective Date in relation to the Demerged Unit shall also, without any further act, instrument or deed, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Resulting Company upon the coming into effect of this Scheme pursuant to the provisions of Sections 391 to 394 of the Act.
- (b) Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Demerged Unit to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favour of, as the case may be, the Resulting Company in which the Demerged Unit vests by way of the demerger hereunder and may be enforced as fully and effectually as if, instead of the Demerged Company, Resulting Company had been a party or beneficiary or obligee thereto or thereunder.
- (c) Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Demerged Unit occurs by virtue of this Scheme itself, the Resulting Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary in order to give formal effect to the provisions of this Scheme, the Resulting Company shall, under the provisions of Part II of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances referred to above on the part of the Demerged Company to be carried out or performed.
- (d) For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of this Scheme, all consents, permissions, licences, certificates, clearances, authorities, powers of attorney given by, issued to or executed in favour of the Demerged Company in relation to the Demerged Undertaking shall stand transferred to the Resulting Company in which the Demerged Undertaking shall vest by way of the demerger hereunder, as if the same were originally given by, issued to or executed in favour of Resulting Company, and Resulting Company shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to Resulting Company. The Resulting Company shall make applications to and obtain relevant approvals from the concerned Governmental Authorities as may be necessary in this behalf.
- (e) It is clarified that if any assets (estate, claims, rights, title, interest in or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to any of the Demerged Unit which the Demerged Company owns or to which the Demerged Company is a party and which cannot be transferred to the Resulting Company for any reason whatsoever, the Demerged Company shall hold such asset or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company to which the Demerged Unit is being transferred in terms of this Scheme, in so far as it is permissible so to do, till such time as the transfer is effected.

## 4.2 Transfer of liabilities

- 4.2.1 (a) Upon the coming into effect of this Scheme, all debts, liabilities, loans raised and used, liabilities and obligations incurred, duties or obligations of any kind, nature or description (including contingent liabilities) of the Demerged Company (as on the Appointed Date) and relating to the Demerged Unit, shall, without any further act or deed, be demerged from the Demerged Company and be and stand transferred to and be deemed to be transferred to the Resulting Company to the extent that they are outstanding as on the Effective Date and on the same terms and conditions as applicable to the Demerged Company, and shall become the debts, liabilities, duties and obligations of the Resulting Company which shall meet, discharge and satisfy the same.
- (b) Where any of the debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations of the Demerged Company as on the Appointed Date deemed to be transferred to the Resulting Company have been discharged by the Demerged Company after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Resulting Company.
- (c) All loans raised and used and all liabilities and obligations incurred by the Demerged Company for the operations of Demerged Unit after the Appointed Date and prior to the Effective Date, shall, subject to the terms of this Scheme, be deemed to have been raised, used or incurred for and on behalf of the Resulting Company in which the Demerged Unit shall vest in terms of this Scheme and to the extent they are outstanding on the Effective Date, shall also without any further act or deed be and stand transferred to and be deemed to be transferred to the Resulting Company and shall become the debts, liabilities, duties and obligations of the Resulting Company which shall meet discharge and satisfy the same. Provided however that no debts, liabilities, loans raised and used, liabilities and obligations incurred, dues and obligations shall have been assumed by the Demerged Company in relation to Demerged Unit after the Appointed Date without the prior written consent of the Resulting Company.
- 4.2.2 (a) The demerger and the transfer and vesting of the assets comprised in the Demerged Unit to and in the Resulting Company under Clause 4.1 of this Scheme shall be subject to the mortgages and charges, if any, affecting the same as hereinafter provided.
- (b) The existing securities, mortgages, charges, encumbrances or liens (the "Encumbrances") or those, if any created by the Demerged Company after the Appointed Date, in terms of this Scheme, over the assets comprised in any of Demerged Unit or any part thereof transferred to the Resulting Company by virtue of this Scheme, shall, after the Effective Date, continue to relate and attach to such assets or any part thereof to which they related or attached prior to the Effective Date and as are transferred to the Resulting Company, and such Encumbrances shall not relate or attach to any of the other assets of Resulting Company Provided however that no Encumbrances shall have been created by the Demerged Company in relation to any of the Demerged Unit after the Appointed Date without prior written consent of the Resulting Company.
- (c) In so far as any Encumbrances over the assets comprised in the Demerged Unit are security for liabilities of the Remaining Undertaking retained with the Demerged Company, 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 the Demerged Company and shall cease to operate against any of the assets transferred to the Resulting Company 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 operation of the above.
- (d) Without prejudice to the provisions of the foregoing clauses and upon the effectiveness of this Scheme, the Demerged Company and the Resulting Company shall execute any instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies, Gujarat to give formal effect to the above provisions, if required.
- (e) Upon the coming into effect of this Scheme, the Resulting Company alone shall be liable to perform all obligations in respect of the liabilities, which have been transferred to them respectively in terms of the Scheme, and the Demerged Company shall not have any obligations in respect of such liabilities, and the Resulting Company shall indemnify the Demerged Company in relation to any claim, at any time, against the Demerged Company in respect of the liabilities which have been transferred to the Resulting Company.
- (f) It is expressly provided that, save as mentioned in this Clause 4.2.2, no other term or condition of the liabilities transferred to the Resulting Company is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.

- (g) Subject to the necessary consents being obtained in accordance with the terms of this Scheme, the provisions of this Clause 4.2.2 shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document; all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.

## **5. Conduct of Business**

5.1 The Demerged Company, with effect from the Appointed Date and up to and including the Effective Date:

- (a) shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Demerged Unit and shall hold and stand possessed of and shall be deemed to hold and stand possessed of all the estates, assets, rights, title, interest, authorities, contracts, investments and strategic decisions of the Demerged Unit for and on account of, and in trust for, the Resulting Company;
- (b) all profits and income accruing or arising to the Demerged Company from the Demerged Unit, and losses and expenditure arising or incurred by it (including taxes, if any, accruing or paid in relation to any profits or income) relating to the Demerged Unit upto the Appointed date based on the audited accounts of the Demerged Company shall, for all purposes, be treated as and be deemed to be the profits, income, losses or expenditure, as the case may be, of the Resulting Company; and (c) any of the rights, powers, authorities, privileges, attached, related or pertaining to the Demerged Unit exercised by the Demerged Company shall be deemed to have been exercised by the Demerged Company for and on behalf of, and in trust for and as an agent of the Resulting Company. Similarly, any of the obligations, duties and commitments attached, related or pertaining to the Demerged Unit that have been undertaken or discharged by the Demerged Company shall be deemed to have been undertaken for and on behalf of and as an agent for the Resulting Company.

5.2 With effect from the Appointed Date and until the Effective Date, the Demerged Company undertakes that it will preserve and carry on the business of the Demerged Unit with reasonable diligence and business prudence and shall not undertake financial commitments or sell, transfer, alienate, charge, mortgage, or encumber the Demerged Unit or any part thereof save and except in each case:

- (a) if the same is in its ordinary course of business as carried on by it as on the date of filing this Scheme with the High Court(s); or (b) if the same is expressly permitted by this Scheme; or (c) if the prior written consent of the Board of Directors of the Resulting Company has been obtained.

5.3 As and from the Appointed Date and till the Effective Date:

- (a) All debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations as on the close of business on March 31, 2006, whether or not provided in the books of the Demerged Company in respect of the Demerged Unit and all debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations relating thereto which arise or accrue to the Demerged Company on or after the Appointed Date in accordance with this Scheme, shall be deemed to be the debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations of the Resulting Company to which that Demerged Unit is transferred.
- (b) All assets and properties comprised in the Demerged Unit as on the date immediately preceding the Appointed Date, whether or not included in the books of the Demerged Company, and all assets and properties relating thereto, which are acquired by the Demerged Company in relation to the Demerged Unit, on or after the Appointed Date, in accordance with this Scheme, shall be deemed to be the assets and properties of the Resulting Company to which that Demerged Unit is transferred.

## **6. Employees**

- (a) Upon the coming into effect of this Scheme, all employees, consultants and advisors other than those specifically referred to in sub-clause (d) below, of the Demerged Company engaged in or in relation to the respective Demerged Unit and who are in such employment as on the Effective Date shall become the employees, consultants or advisors, as the case may be, of the Resulting Company, and, subject to the provisions of this Scheme, on terms and conditions not less favourable than those on which they are engaged by the Demerged Company and without any interruption of or break in service as a result of the transfer of the Demerged Unit.
- (b) In so far as the existing provident fund, gratuity fund and pension and/or superannuation fund, trusts, retirement fund or benefits and any other funds or benefits created by the Demerged Company for the employees of the Demerged Unit are concerned (collectively referred to as the "Funds"), the Funds and such of the investments made by the Funds which are referable to the employees of Demerged Unit being transferred to the Resulting Company in terms of sub clause (a) above shall be transferred to the Resulting Company and shall be held for

their benefit pursuant to this Scheme in the manner provided hereinafter. The Funds shall, subject to the necessary approvals and permissions and at the discretion of the Resulting Company, either be continued as separate funds of the Resulting Company for the benefit of the employees of the Demerged Unit or be transferred to and merged with other similar funds of the Resulting Company. In the event Resulting Company does not have its own funds in respect of any of the above, Resulting Company may, subject to necessary approvals and permissions, continue to contribute to the relevant Funds of the Demerged Company, until such time that the Resulting Company creates its own fund, at which time the Funds and the investments and contributions pertaining to the employees of the Demerged Unit shall be transferred to the funds created by Resulting Company.

- (c) In so far as the existing provident fund, gratuity fund and pension and/or superannuation fund, trusts created by the Demerged Company for the employees of the Remaining Undertaking are concerned, the same shall continue and the Demerged Company shall continue to contribute to such funds and trusts in accordance with the provisions thereof, and such funds and trusts, if any, shall be held for the benefit of the employees of the Remaining Business.
- (d) All employees, consultants and advisors employed or engaged on part time basis by the Demerged Company in relation to the businesses of the Demerged Unit shall, at the option of the Resulting Company, be made available to the Resulting Company in relation to the respective Demerged Unit, at no additional cost for a period of 12 (twelve) months from the Effective Date or such earlier date as the Resulting Company may deem proper or necessary, to provide the same services and advice as they were rendering to the Demerged Company.

## **7. Saving of Concluded Transactions**

The transfer and vesting of the assets, liabilities and obligations of the Demerged Unit under Clause 4 hereof shall not affect any transactions or proceedings already completed by the Demerged Company on or before the Appointed Date to the end and intent that, the Resulting Company accepts all acts, deeds and things done and executed by and/or on behalf of the Demerged Company in relation to the Demerged Unit which shall vest in the Resulting Company in terms of this Scheme of Arrangement as acts, deeds and things made, done and executed by and on behalf of the Resulting Company.

## **PART III**

### **REMAINING UNDERTAKING**

#### **8. Remaining Undertaking to continue with Demerged Company**

- 8.1 The Remaining Undertaking and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Demerged Company, subject only to Clause 4.2.2 of this Scheme in relation to Encumbrances, if any in favour of banks, financial institutions and trustees for the debenture-holders.
- 8.2 (a) All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case relating to the Remaining Undertaking (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining Undertaking) shall be continued and enforced by or against the Demerged Company after the Effective Date. The Resulting Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceeding against the Demerged Company, which relate to the Remaining Undertaking. (b) If proceedings are taken against the Resulting Company in respect of the matters referred to in subclause (a) above, it shall defend the same in accordance with the advice of the Demerged Company and at the cost of the Demerged Company, and the later shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by the Resulting Company in respect thereof.
- 8.3. With effect from the Appointed Date and up to and including the Effective Date:
  - (a) the Demerged Company shall carry on and shall be deemed to have been carrying on all businesses and activities relating to the Remaining Undertaking for and on its own behalf;
  - (b) all profits accruing to the Demerged Company thereon or losses arising or incurred by it (including the effect of taxes, if any, thereon) relating to the Remaining Undertaking shall, for all purposes, be treated as the profits or losses, as the case may be, of the Demerged Company; and
  - (c) All assets and properties acquired by the Demerged Company in relation to the Remaining Undertaking on and after the Appointed Date shall belong to and continue to remain vested in the Demerged Company.

## **PART IV**

### **REORGANISATION OF CAPITAL**

#### **9. Reorganisation of share capital**

In consideration of the transfer and vesting of the Demerged Unit in the Resulting Company in accordance with the provisions of Part II of this Scheme and as an integral part of this Scheme, the share capital of the Resulting Company shall be increased/amended in the manner set out in Clauses 10 to 13 below.

#### **10. Issue of shares by Resulting Company**

10.1 After the Scheme takes effect, in consideration of the demerger including the transfer and vesting of the Demerged Unit in the Resulting Company pursuant to Part II of this Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each member of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record Date equity shares in the Resulting Company in the following ratio:

In the ratio of 1/- (one) equity share in the Resulting Company of the face value of Re.1/- (Rupee one only) each credited as fully paid-up for every 1 (one) equity share of Rs.5/- (Rupees five only) each fully paid-up held by such member or his/her/its heirs, executors, administrators or successors in the Demerged Company.

- 10.2 (a) Subject to legal advice, pursuant to the provisions of Clause 10.1 above, the Resulting Company may issue, without any extra payment required by Zero Coupon Foreign Currency Convertible Bonds (FCCB) holder, to the Depository representing the holders of FCCBs of the Demerged Company, equity shares of Re.1/- each of the Resulting Company in addition to and equivalent to the entitlement of the equity shares of the Demerged Company at the time of exercise of the option of the conversion being exercised by such holders of FCCBs in terms of the Offering Circular dated November 24, 2004 for FCCB i.e. at the conversion price of Rs.729.30 per share with a fixed rate of exchange on conversion of Rs.45.01 = U.S.\$1.00. Accordingly, the FCCB holder shall get one equity share of Rs.5/- each of the Demerged Company along with one equity share of Re.1/- each of the Resulting Company. However, in all respects, the rights of the FCCB holders to receive the shares of the Resulting Company shall be treated as if he is the shareholder of the Demerged Company in case the right to convert the shares is exercised pursuant to the Offering Circular.
- (i) Provided however that, subject to legal advice, the closing price as referred to in Para 8(B) of Terms and Conditions of the Offering Circular shall be construed to be the aggregate of such closing price of both of the companies i.e., Transferor Company and Transferee Company.
- (ii) Provided however that, subject to legal advice, for the purposes of determining Extraordinary Dividend as referred to in Para 6C(iv) of Terms and Conditions of the Offering Circular, 3% of the Average Closing Price shall be determined by taking the aggregate of closing price and dividend declared of both the companies i.e., Transferor Company and Transferee Company.
- (b) In the eventuality of the proposed arrangement as mentioned above under clause 10.2.(a) is not accepted in line with the Offering Circular dated 24th November, 2004 and legal view, then any such suitable alternative may be worked out in which case the Bond Holder may be rewarded for the value of the shares of the Resulting Company as valued by the commercial bank of international repute subject to change in conversion price. However both the conditions namely 10.2.(a) and 10.2.(b) shall be mutually exclusive.
- (c) In the event the FCCB holder(s) do not exercise the option of conversion, then the Transferor Company will redeem the Bonds in terms of Clause-8 under the heading Terms and Conditions of the Bonds of the Offering Circular and the Transferee Company shall not have any obligation with regard to the liability of repayment of the said Bonds which have been raised with specific objectives/activities.

#### **11. Other terms applicable to issue of shares**

11.1 The equity shares to be issued by the Resulting Company pursuant to Clause 10 above shall be issued in dematerialized form by the Resulting Company, unless otherwise notified in writing by the shareholders of the Demerged Company to the Resulting Company on or before such date as may be determined by the Board of Directors of the Demerged Company or a committee thereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the equity shares shall be issued to such members in dematerialised form provided that the members of the Resulting Company shall be required to have an account with a depository participant and shall be required to provide details thereof and such other confirmations as may be required. In the event that a Resulting Company has received notice from any member that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her /its account with a depository participant or other confirmations as may be required or if the details furnished

by any member do not permit electronic credit of the shares of the Resulting Company, then the Resulting Company shall issue equity shares in physical form to such member or members.

- 11.2 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Demerged Company, the Board of Directors or any committee thereof of the Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in the Demerged Company as if such changes in the registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or transferee of equity shares in Resulting Company issued by the Resulting Company after the effectiveness of this Scheme.
- 11.3 The new equity shares issued and allotted by the Resulting Company in terms of this Scheme shall be subject to the provisions of the Memorandum and Articles of Association of the Resulting Company and shall inter-se rank pari passu in all respects.
- 11.4 Equity shares of the Resulting Company issued in terms of Clause 10 of this Scheme will be listed and/or admitted to trading on the National Stock Exchange and/or the Bombay Stock Exchange Ltd. where the shares of the Demerged Company are listed and/or admitted to trading in terms of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. The Resulting Company shall enter into such arrangements and give such confirmations and/or Units as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said Stock Exchanges. On such formalities being fulfilled the said Stock exchanges shall list and / or admit such equity shares also for the purpose of trading.
- 11.5 For the purpose of issue of equity shares to the shareholders of the Demerged Company, the Resulting Company shall, if and to the extent required, apply for and obtain the required statutory approvals including approval of Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the Resulting Company of such equity shares.
- 11.6 The equity shares to be issued by the Resulting Company pursuant to this Scheme in respect of any equity shares of the Demerged Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise shall pending allotment or settlement of dispute by order of Court or otherwise, be held in abeyance by the Resulting Company.
- 11.7 Unless otherwise determined by the Board of Directors or any committee thereof of the Demerged Company and the Board of Directors or any committee thereof of the Resulting Company, issuance of equity shares in terms of Clause 10 above shall be done within 60 days from the Date of sanction of this scheme by the Honourable Court.
- 11.8 For the Purpose of Income Tax as per the expert opinion received by the Demerged Company :
- (a) The cost of acquisition of the shares of the Resulting Company in the hands of the shareholders of the Demerged Company shall be the amount which bears to the cost of acquisition of shares held by the shareholder in the Demerged Company the same proportion as the book value of the net assets transferred in the demerger to the Resulting Company bears to the net worth of the Demerged Company immediately before the demerger hereunder.
- (b) The period for which the share(s) in Demerged Company were held by the shareholders shall be included in determining the period for which the shares in the Resulting Company have been held by the respective shareholder.

## **12. Amendment in share capital**

- (a) Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Transferee Company (relating to authorised share capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, in the manner set out below and be replaced by the following clause:

“The authorised share capital of the Company is Rs26,65,00,000/- (Rupees Twenty Six Crores Sixty Five Lacs only) divided into 26,65,00,000 (Twenty Six Crores Sixty Five Lacs) Equity Shares of Re. 1/- (Rupee one only) each with power to classify or reclassify, increase or reduce the capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with the power to divide the share capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special rights, privileges or condition including as to voting and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with these present and the Articles of Association. (b) Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Transferor Company (relating to authorised share capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, in the manner set out below and be replaced by the following clause:

“The authorised share capital of the Company is Rs.1500,000,000/- (Rupees One Thousand Five Hundred Million only) divided into 254,700,000 (Two Hundred Fifty Four Million and Seven Hundred Thousand) Equity Shares of Rs. 5/- (Rupees Five only) each , 25,000,000(Twenty Five Million) Preference Shares of Re.1/- (Rupee one only) each and 2,015,000 (Two Million and Fifteen Thousand) Preference Shares of Rs.100/- (Rupees One Hundred only) each with power to classify or reclassify, increase or reduce the capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with the power to divide the share capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special rights, privileges or condition including as to voting and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with these present and the Articles of Association.

## **PART V**

### **ACCOUNTING TREATMENT**

#### **13. Accounting by the Demerged Company and the Resulting Company in respect of assets and liabilities**

##### 13.1 Accounting treatment in the books of the Demerged Company:

- (a) The assets and the liabilities of the Demerged Company being transferred to the Resulting Company shall be at values appearing in the books of accounts of the Demerged Company on the opening of business on April 01, 2006;
- (b) The difference between the value of assets and value of liabilities transferred pursuant to the Scheme shall be appropriated against Securities Premium account of the Demerged Company if any, after appropriation, will be further appropriated against Capital Reserve account of the Demerged Company if any, after appropriation, will be further appropriated against the Capital Redemption Reserve account of the Demerged Company will be further appropriated against General Reserve account of the Demerged Company if any, the balance of Capital Redemption Reserve/General Reserve account shall stand reduced to that extent;
- (c) The reduction, if any, in the Securities Premium account /Capital Redemption Reserve account of the Demerged Company 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. 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.
- (d) The book value of investment by the Demerged Company in the share capital of Resulting Company shall stand cancelled on and from the appointed date of demerger and the same shall be adjusted/debited to the Profit & Loss Account of the Demerged Company.

##### 13.2 Accounting treatment in the Books of the Resulting Company:

- (a) Upon coming into effect of this Scheme and upon the arrangement becoming operative, the Resulting Company shall record the assets and liabilities comprised in the Demerged Unit transferred to and vested in them pursuant to this Scheme, at the same value appearing in the books of Demerged Company on the opening of business on April 01, 2006.
- (b) The Resulting Company shall credit their respective Share Capital Accounts in their books of account with the aggregate face value of the new equity shares issued to the shareholders of Demerged Company pursuant to Clause 10.1 of this Scheme.
- (c) The excess or deficit, if any, remaining after recording the aforesaid entries shall be credited by the Resulting Company to its General Reserve Account or debited to goodwill, as the case may be.
- (d) On allotment of shares by the Resulting Company in terms of Clause 10.1 above, the existing shareholding of SPIL, the Demerged Company, in the Resulting Company shall be cancelled as an integral part of this Scheme in accordance with provisions of 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. 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. Subsequently, the amount of cancelled shareholding of SPIL, the Demerged Company, in the Resulting Company shall be credited to the General Reserve account of the Resulting Company.
- (e) When the Resulting Company is required to issue in terms of Clause 10.2(a) above, the shares of the Resulting Company on every exercise of option of conversion of the FCCB by FCCB Holders in terms of the Offering Circular, the Resulting Company shall transfer the face value of amount of shares issued from the General Reserve account of the Resulting Company.

## **PART VI**

### **GENERAL TERMS AND CONDITIONS**

#### **14. Dividends**

- (a) The Demerged Company and Resulting Company shall be entitled to declare and pay dividends, whether interim or final, to their respective shareholders in respect of the accounting period after the Appointed Date and prior to the Effective Date
- (b) The holders of the shares of the Demerged Company and the Resulting Company shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing rights under their respective Articles of Association including the right to receive dividends.
- (c) It is clarified that the aforesaid provisions in respect of declaration of dividends are enabling provisions only and shall not be deemed to confer any right on any member of the Demerged Company and/or the Resulting Company to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the respective Boards of Directors of the Demerged Company and the Resulting Company and subject to the approval of the shareholders of the Demerged Company and the Resulting Company respectively.

#### **15. Agreements**

The Resulting Company will have the right to use the "Sun" brand and logo and suitable agreements will be entered into in this regard. Further, suitable agreement like licencing or otherwise shall also be entered into in relation to the supply of know-how for existing products by the Resulting Company to the Demerged Company for marketing of such products in the market where the Demerged Company has strong foothold with the agreed payment schedules on milestones and the Demerged Company shall have first right of refusal for marketing of future products. The Demerged Company may pay to the Resulting Company about Rs.200 crores or such amounts as may be mutually agreed upon by both, the Demerged Company and the Resulting Company over a period of two years pursuant to the same agreements.

#### **16. Approvals**

The Resulting Company shall be entitled, pending the sanction of the Scheme, to apply to the Central Government or any State Government and all other agencies, departments and authorities concerned as may be necessary under any law for such consents, approvals and sanctions which the Resulting Company may require to own the Demerged Unit and carry on business activities relating to Innovative R & D.

#### **17. Filing of Applications**

The Demerged Company and Resulting Company shall, with all reasonable dispatch, make and file all necessary applications and petitions before the High Court for the sanction of this Scheme of Arrangement under Sections 391 and 394 of the Act and each of them shall apply for all necessary approvals as may be required under law.

#### **18. Modification of Scheme**

- (a) The Demerged Company and the Resulting Company by their respective Boards of Directors or any committee thereof or any Director authorised in that behalf (hereinafter referred to as the "Delegate") may assent to, or make, from time to time, any modifications or amendments or additions to this Scheme which the High Court(s) or any authorities under law may deem fit to approve of or impose and which the Demerged Company and the Resulting Company may in their discretion accept such modifications or amendments or additions as the Demerged Company and the Resulting Company or as the case may be, their respective Delegate may deem fit, or required for the purpose of resolving any doubts or difficulties that may arise for carrying out this Scheme, and the Demerged Company and the Resulting Company by their respective Boards of Directors or Delegate are hereby authorised for any reason, then Demerged Company and the Resulting Company shall be at liberty to withdraw the Scheme. The aforesaid powers of the Demerged Company and the Resulting Company to do, perform and execute all acts, deeds, matters and things necessary for bringing this Scheme into effect, or review the position relating to the satisfaction of the conditions of this Scheme and if necessary, waive any of such conditions (to the extent permissible under law) for bringing this Scheme into effect. In the event that any conditions may be imposed by the High Court or any authorities, which the Demerged Company or the Resulting Company find unacceptable Demerged Company and the Resulting Company may be exercised by the Delegate of the respective Companies.

- (b) For the purpose of giving effect to this Scheme or to any modifications or amendments thereof or additions thereto, the Delegates (acting jointly) of the Demerged Company and the Resulting Company may give such directions as they may consider necessary to settle any question or difficulty arising under this Scheme or in regard to and of the meaning or interpretation of this Scheme or implementation thereof or in any matter whatsoever connected therewith (including any question or difficulty arising in connection with any deceased or insolvent shareholders, depositors or debenture holders of the respective Companies), or to review the position relating to the satisfaction of various conditions of this Scheme and if necessary, to waive any of those conditions (to the extent permissible under law).

**19. Scheme Conditional Upon:**

19.1 This Scheme is conditional upon and subject to:

- (a) This Scheme being agreed to by the respective requisite majorities of the various classes of members and creditors (where applicable) of the Demerged Company and the Resulting Company as required under the Act and the requisite orders of the High Court referred to in Clause 19 being obtained;
- (b) The requisite sanctions and approvals including but not limited to in-principle approvals, sanctions of any Governmental Authority, as may be required by law in respect of this Scheme being obtained; and
- (c) The certified copies of the orders of the High Court sanctioning this Scheme being filed with the Registrar of Companies, Gujarat.

19.2 In the event of this Scheme failing to take effect within 12 months of first filing in High Court or such later date as may be agreed by the respective Boards of Directors of the Demerged Company and the Resulting Company, this Scheme shall stand revoked, cancelled and be of no effect and become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred inter se by the parties or their shareholders or creditors or employees or any other person. In such case, each Company shall bear its own costs, charges and expenses or shall bear costs, charges and expenses as may be mutually agreed.

**20. Expenses Connected with the Scheme**

All costs, charges and expenses of the Transferor Company and the Resulting Company respectively in relation to or in connection with the negotiation leading to or in connection with the negotiation leading up to this Scheme of carrying out and completing the terms and provisions of this Scheme and/or incidental to the completion of the arrangement of the Transferor Company in pursuance of this Scheme shall be borne and paid by the Demerged Company.

**Schedule I**

Innovative R & D

Part 'A'

Book value of Assets over Liabilities as on 31st December,2005 aggregates approximately to Rs. 500 Million.

**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD ORIGINAL JURISDICTION  
COMPANY APPLICATION No. 188 OF 2006**

IN THE MATTER OF SEC. 391 TO 394 OF THE COMPANIES ACT, 1956;

AND

IN THE MATTER OF

**SUN PHARMACEUTICAL INDUSTRIES LIMITED**

A Company registered under the Companies Act, 1956 and having its registered office at SPARC, Tandalja, Vadodara 390 020 in the State of Gujarat.

AND

IN THE MATTER OF THE SCHEME OF ARRANGEMENT BETWEEN SUN PHARMACEUTICAL INDUSTRIES LIMITED AND SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED IN THE NATURE OF DE-MERGER AND TRANSFER OF INNOVATIVE RESEARCH AND DEVELOPMENT BUSINESS

**SUN PHARMACEUTICAL INDUSTRIES LIMITED**

(A Company registered under the provisions of the Companies Act, 1956 and having its Registered Office at SPARC, Tandalja, Vadodara - 390 020 in the State of Gujarat).

} **APPLICANT COMPANY**

**FORM OF PROXY**

I/We, \_\_\_\_\_ the undersigned FCCB Holder(s), holding \_\_\_\_\_ FCCB(s) of the Applicant Company hereby appoint Shri \_\_\_\_\_ of \_\_\_\_\_ and failing him Shri \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy and failing him Shri \_\_\_\_\_ of \_\_\_\_\_ to act for me/us at the meeting of the FCCB Holders of the Applicant Company to be held on Tuesday, 6th June, 2006 at 2.00 p.m. or immediately after the conclusion of Unsecured Creditors' Meeting whichever is later at Conference Hall, Hotel Taj Residency, Akota Gardens, Akota, Vadodara – 390 020, Gujarat, for the purpose of considering and if thought fit, approving, with or without modification(s) the arrangement embodied in the Scheme of Arrangement between SUN PHARMACEUTICAL INDUSTRIES LIMITED and SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED in the nature of demerger and transfer of Innovative Research and Development Business and at such meeting and at any adjournment thereof to vote, for me/us and in my/our name/s \_\_\_\_\_ (here, 'if for', insert 'for'; 'if against', insert 'against' and in the latter case strike words below after 'the Scheme of Arrangement') the said Arrangement embodied in the Scheme of Arrangement with or without modification(s) as my/our proxy may approve.

(Strike out what is not necessary)

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2006

NAME:

ADDRESS:

**Revenue  
Stamp of  
30 paise**

SIGNATURE

NOTE :

- 1) The Proxy form duly signed by the FCCB Holders should be filed at the Registered Office of the Company at SPARC, Tandalja, Vadodara - 390 020, in the State of Gujarat not later than 48 hours before time for holding the aforesaid meeting.
- 2) All alterations in proxy form should be initialled.

Sun Pharmaceutical Industries Ltd.

**Book Post**

**Under Certificate of Posting**

*If undelivered please return to:*  
**Sun Pharmaceutical Industries Limited**  
Acme Plaza, Andheri - Kurla Road,  
Andheri (E), Mumbai 400 059, INDIA.