

**SCHEME OF AMALGAMATION
OF
FUTURE VALUE RETAIL LIMITED.
WITH
PANTALOON RETAIL (INDIA) LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

(A) PREAMBLE

This Scheme of Amalgamation ('Scheme') is presented under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 for amalgamation of Future Value Retail Limited. ("FVRL"), a wholly owned subsidiary of Pantaloon Retail (India) Limited ("PRIL") into PRIL.

This Scheme also provides for various other matters consequential or otherwise integrally connected therewith.

(B) RATIONALE FOR THE SCHEME

PRIL is a public listed company which, through itself and its subsidiaries, is a diversified retail player and also has interests in financial services, insurance, media and other businesses.

FVRL is, *inter alia*, in the business of operating retail formats like Big Bazaar and Food Bazaar.

The amalgamation of FVRL with PRIL would, inter-alia, have the following benefits:

- i) Cost savings in terms of economies of scale, sourcing benefits, vendor rationalization, more focused operational efforts, rationalisation, standardisation and simplification of business processes and productivity improvements;
- ii) The synergies that exist between the two entities can be put to the best advantage of all stakeholders;
- iii) Greater size, scale, integration and greater financial strength and flexibility for the restructured entity;
- iv) The consolidated entity will benefit from improved organizational capability and leadership, arising from the combination of people from FVRL and PRIL who have the diverse skills, talent and vast experience to compete successfully in increasingly competitive environment;
- v) Removing multiple layer hindrances;



(C) PARTS OF THE SCHEME:

This Scheme is divided into the following parts:

- (i) **PART I** deals with the definitions and share capital;
- (ii) **Part II** deals with amalgamation of FVRL with PRIL;
- (iii) **PART III** deals with general terms and conditions applicable to this Scheme.

PART I**DEFINITIONS AND SHARE CAPITAL****1. DEFINITIONS**

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

- 1.1 **“Act” or “The Act”** means the Companies Act, 1956, or any statutory modification or re-enactment thereof or amendments thereto for the time being in force;
- 1.2 **“Appointed Date”** would mean 1st day of July 2012 or such other date as may be fixed or approved by the High Court or such other competent authority as may be applicable;
- 1.3 **“Board of Directors” or “Board”** means the Board of Directors of PRIL and/ or FVRL as the context may require and includes a committee thereof.
- 1.4 **“Convertible Debentures”** means 6850 5% Unsecured Compulsorily Convertible Debentures of Rs 10 lacs each aggregating to Rs 685 Crores (Series A and Series B) issued by FVRL.
- 1.5 **“Court” or “High Court”** means the High Court of Judicature at Bombay and shall include the National Company Law Tribunal, if and when applicable;
- 1.6 **“Effective Date”** means the later of the dates on which the certified copies of the Orders sanctioning this Scheme, passed by the High Court, or such other competent authority, as may be applicable, are filed with the Registrar of Companies, at Mumbai by PRIL and FVRL;
- 1.7 **“FVRL” or “the Transferor Company”** means Future Value Retail Limited., a company incorporated under the Companies Act, 1956, and having its Registered Office at Knowledge House, Off Jogeshwari, Vikhroli Link Road, Shyam Nagar, Jogeshwari (East), Mumbai - 400060;



- 1.8 **“PRIL” or “the Transferee Company”** means Pantaloon Retail (India) Limited, a company incorporated under the Companies Act, 1956, and having its Registered Office at Knowledge House, Off Jogeshwari, Vikhroli Link Road, Shyam Nagar, Jogeshwari (East), Mumbai - 400060;
- 1.9 **“Scheme” or “the Scheme” or “this Scheme”** means this Scheme of Amalgamation in its present form as submitted to the High Court or this Scheme with such modification(s), if any made, as per the Scheme;

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

2. DATE OF TAKING EFFECT AND OPERATIVE DATE

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

3. SHARE CAPITAL

- 3.1 The authorized, issued, subscribed and paid-up share capital of PRIL as on June 30, 2012 is as under:

Share Capital	Rupees
<u>Authorized Share Capital</u>	
50,00,00,000 Equity Shares of Rs. 2 each (divided into 45,00,00,000 PRIL Equity Shares and 5,00,00,000 PRIL DVRs)	100,00,00,000
30,00,00,000 preference Shares of Rs.100 each	30,00,00,000
TOTAL	130,00,00,000
<u>Issued Share Capital</u>	
23,15,93,991 equity shares of Rs 2 each (divided into 21,56,64,839 Equity Shares and 1,59,29,152 Class B Equity Shares)	463,187,982
<u>Subscribed & Paid Up Share Capital</u>	
23,15,82,591 equity shares of Rs 2 each (divided into 21,56,53,439 Equity Shares and 1,59,29,152 Class B Equity Shares)	463,165,182

Subsequent to June 30, 2012, there has been no change in the capital structure of PRIL.

- 3.2 The authorized, issued, subscribed and paid-up share capital of FVRL as on June 30, 2012 is as under:



Share Capital	Rupees
<u>Authorized Share Capital</u>	
10,00,00,000 equity shares of Rs. 10 each	100,00,00,000
TOTAL	100,00,00,000
<u>Issued, Subscribed and Paid Up Share Capital</u>	
6,64,99,912 equity shares of Rs. 10 each, fully paid up	66,49,99,120
TOTAL	66,49,99,120

Subsequent to June 30, 2012, there has been no change in the capital structure of FVRL.

PART II

AMALGAMATION OF FVRL WITH PRIL

4. VESTING OF UNDERTAKING

With effect from the Appointed Date and upon the Scheme becoming effective, the whole of the undertaking and properties (whether movable or immovable, tangible or intangible) of whatsoever nature such as licenses, permits, quotas, approvals, lease, tenancy rights, permissions, incentives, if any, and all other rights, title, interest, contracts, consent, approvals or powers of every kind nature and descriptions whatsoever, of FVRL shall pursuant to the provisions contained in Sections 391 to 394 of the Act and all other applicable provisions, if any, of the Act and without any further act, deed, matter or thing, stand transferred to and vested in and / or be deemed to be transferred to and vested in PRIL in the manner specified hereinafter in this Scheme

4.1 All the assets of the FVRL as on the Appointed Date shall, without any further act, instrument or deed and pursuant to Sections 391 to 394 of the Act be transferred to and vested in or be deemed to have been transferred to and vested in PRIL on a going concern basis, so as to become the business, undertaking, estate, assets, properties, rights, title and interests of PRIL in the following manner:

- (i) All the movable assets of FVRL which are capable of being physically transferred including cash on hand, shall be physically handed over by delivery to PRIL to the end and intent that the property therein passes to PRIL;
- (ii) In respect of other assets pertaining to FVRL including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, PRIL shall issue notices stating that pursuant to this Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of PRIL as the person entitled thereto, to the end and intent



that the right of FVRL to receive, recover or realize the same, stands transferred to PRIL and that appropriate entries should be passed in their respective books to record the aforesaid changes;

- (iii) any and all immovable properties (including land together with the buildings and structures standing thereon) of FVRL, whether freehold or leasehold and any documents of title, rights and easements in relation thereto shall stand transferred to and be vested in PRIL, without any act or deed done by PRIL or FVRL. With effect from the Appointed Date, PRIL shall be entitled to exercise all rights and privileges and be liable to pay ground rent, municipal taxes and fulfill all obligations, in relation to or applicable to such immovable properties. The mutation of title to the immovable properties in the name of PRIL shall be made and duly recorded by the appropriate authorities / parties pursuant to the sanction of this Scheme by the Hon'ble High Court and this Scheme becoming effective in accordance with the terms hereof without any further act or deed on part of PRIL;
- (iv) In respect of such of the assets of FVRL other than those referred to in clause (i) to (iii), the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in PRIL on the Appointed Date pursuant to the provisions of Section 394 of the Act.

4.2 With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of FVRL including debentures shall also, under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to PRIL, so as to become from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of PRIL and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.

4.3 With effect from the Appointed Date and upon the Scheme becoming effective, any brands, copyrights, trademarks, statutory licenses, permissions or approvals or consents held by FVRL required to carry on operations of FVRL shall stand vested in or transferred to PRIL without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of PRIL and the benefit of all brands, copyrights, trademarks, statutory and regulatory permissions, environmental approvals and consents, registrations or other licenses, consents, certificates, authorities (including for the operation of Bank accounts), power of attorneys given by, issued to or executed in favour of FVRL shall vest in and become available to PRIL as if they were originally obtained by PRIL. In so far as the various incentives, subsidies, rehabilitation schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by FVRL, are concerned, the same shall vest with and be



- available to PRIL on the same terms and conditions as applicable to FVRL, as if the same had been allotted and/or granted and/or sanctioned and/or allowed to PRIL.
- 4.4 PRIL The transfer and vesting of the undertaking and properties of FVRL as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances, if any, subsisting over or in respect of the property and assets or any part thereof.
- 4.5 With effect from the Appointed Date, loans or other obligations if any, due between FVRL and PRIL, shall stand discharged and there shall be no liability in that behalf. In so far as any securities or notes issued by the FVRL and held by PRIL and vice versa are concerned, the same shall, unless sold or transferred by FVRL or PRIL, as the case may be, at any time prior to the Effective Date, stand cancelled as on the Effective Date and shall have no effect and FVRL and PRIL, as the case may be, shall have no further rights or obligations outstanding in that behalf.
- 4.6 With effect from the Effective Date, PRIL shall commence and carry on and shall be authorized to carry on the business carried on by FVRL in addition to the business of PRIL.
- 4.7 The resolutions, if any, of FVRL which are valid and subsisting on the Effective Date, shall be continued to be valid and subsisting and be considered as resolutions of PRIL and if any such resolutions have upper monetary or other limits being imposed under the provisions of the Act or any other applicable provisions, then the said limits shall be added and shall constitute the aggregate of the said limits in PRIL.

5. CONSIDERATION

- 5.1 Since the entire share capital of FVRL is held by PRIL, no consideration shall be payable / dischargeable to the shareholders of FVRL for the amalgamation of FVRL with PRIL.
- 5.2 Upon the Scheme becoming effective, in respect of existing Convertible Debentures of FVRL held by IFCI Limited, , PRIL shall issue its optionally convertible debentures of face value equal to face value of Convertible Debentures held in FVRL . Such optionally convertible debentures of PRIL shall be subject to such terms and conditions as may be agreed with IFCI Limited and shall be convertible, at the option of IFCI Limited, into equity shares of PRIL at a price not less than the average of share price of PRIL on stock exchanges having the higher turnover, for a period of four weeks immediately prior to the date of conversion based on the conversion amount of Rs.282 crores as on the conversion date, subject to deduction of applicable taxes, if any.
- 5.3 Upon the Scheme becoming effective, in respect of existing Convertible Debentures of FVRL held by Brand Equity Treaties Limited and AXIS Bank Limited, PRIL shall issue its compulsorily convertible debentures of face value equal to face value of Convertible Debentures held in FVRL. Such compulsorily convertible debentures of PRIL shall be subject to such terms and conditions as may be agreed with such holders and shall be convertible into equity shares of PRIL at a price not less than the



average of share price of PRIL on stock exchanges having the higher turnover, for a period of four weeks immediately prior to the date of conversion based on the conversion amount of Rs.228 crores and Rs.384 crores in case of Brand Equity Treaties Limited and AXIS Bank Limited respectively, as on the conversion dates, subject to deduction of applicable taxes, if any.

- 5.4 The holders of debentures issued pursuant to this clause shall have a put option with respect to such debentures on a promoter company of PRIL / PRIL

6. ACCOUNTING TREATMENT IN THE BOOKS OF PRIL

- 6.1 With effect from the opening of business as on the Appointed Date, PRIL shall account for the transfer and vesting of entire undertaking of FVRL pursuant to the Scheme, in accordance with pooling of interest method as prescribed in Accounting Standard 14 as notified by Companies (Accounting Standard) Rules, 2006 in the following manner:

6.1.1 With effect from the Appointed Date, PRIL shall record all the assets, liabilities and reserves of FVRL, at the respective book values as appearing in the books of FVRL as on the Appointed Date;

6.1.2 An amount equal to share capital of FVRL shall be credited to capital reserve account.

6.1.3 Inter Company balances including debentures shall be cancelled;

6.1.4 Investment in the shares of FVRL as appearing in the books of PRIL shall be cancelled and debited to the profit and loss account;

6.1.5 The Securities Premium account of FVRL recorded in the books of PRIL pursuant to Clause 6.1.1 be transferred to capital reserve account and the same, shall be utilized to create a provision for diminution / loss on assets and for unprovided liabilities of FVRL.

6.1.6 The application and reduction, if any, of the Securities Premium Account as above, shall be effected as an integral part of the Scheme itself in accordance with the provisions of Sections 78 read with Sections 100 to 103 of the Act. However as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital, the provisions of Section 101 of the Act are not applicable. Order approving the Scheme shall be deemed to be order confirming the reduction.

6.1.7 PRIL may make suitable adjustments as considered appropriate, for the purpose of application of uniform accounting methods and adjust the same in Capital Reserve.

7. CONDUCT OF BUSINESS TILL THE EFFECTIVE DATE

During the period between the Appointed Date and upto and including the Effective Date:

- 7.1 FVRL shall carry on its business and activities with reasonable diligence and business prudence and shall not alter or diversify its respective businesses nor venture into any new business, nor alienate, charge, mortgage, encumber or otherwise deal with the assets or any part thereof except in the ordinary course of business without the prior



written consent of the Board of Directors of PRIL or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme. FVRL shall hold and stand possessed of all its properties and assets pertaining to the business and undertaking of FVRL for and on account of and in trust for PRIL.

- 7.2 PRIL shall be entitled, pending the sanction of the Scheme, to apply to the Central/State Government(s) and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which PRIL, may require to carry on the business of FVRL.

8. LEGAL PROCEEDINGS

- 8.1 If any suit, appeal or other legal proceedings of whatever nature by or against FVRL is pending in on the Effective Date, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but the said suit, appeal or other legal proceedings may be continued, prosecuted and enforced by or against PRIL, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against FVRL as if this Scheme had not been made.

9. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

- 9.1 Subject to the other provisions contained in this Scheme, all contracts, deeds, bonds, agreements and other instruments of whatever nature to which FVRL is a party, subsisting or having effect immediately before the Scheme coming into effect shall be in full force and effect against or in favour of PRIL, and may be enforced as if, instead of FVRL, PRIL had been a party thereto.

10. STAFF, WORKMEN & EMPLOYEES

- 10.1 Upon the coming into effect of this Scheme, all staff, workmen and employees of FVRL engaged in or in service on the Effective Date shall be deemed to have become staff, workmen and employees of PRIL without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with PRIL shall not be less favourable than those applicable to them with reference to FVRL respectively on the Effective Date.
- 10.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund, Superannuation Fund and/ or Pension Fund or any other Special Fund or Trusts created or existing for the benefit of the staff, workmen and employees (collectively referred to as "Funds") of FVRL shall become the trusts/ funds of PRIL for all purposes whatsoever in relation to the administration or operation of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of FVRL in relation to such Funds shall become those of PRIL. It is clarified that the services of the staff, workmen and employees of FVRL will be treated as having been continuous for the purpose of the said Funds.



11. PERMISSIONS

- 11.1 Any statutory licenses, permissions, approvals or consents to carry on the operations of FVRL shall stand vested in or transferred to PRIL without any further act or deed and shall be appropriately mutated by the Statutory Authorities concerned in favour of PRIL. The benefit of all statutory and regulatory permissions, licenses, environmental approvals and consents, sales tax registrations or other licenses and consents shall vest in and become available to PRIL pursuant to this Scheme. In so far as the various incentives, subsidies, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by FVRL, are concerned, the same shall vest with and be available to PRIL, on the same terms and conditions. In particular and without prejudice to the generality of the foregoing, benefit of all balances relating to CENVAT or Service Tax or VAT, shall stand transferred to and vested in PRIL as if the transaction giving rise to the said balance or credit was a transaction carried out by PRIL. The assets and properties of FVRL shall not be required to be and shall not be physically transferred from any premises or location of FVRL and consequently or otherwise, there shall be no withdrawal of or obligation to pay or refund any CENVAT, VAT, Service Tax or other tax or duty.

12. TAXES

- 12.1 PRIL will be the successors of FVRL. Hence, it will be deemed that the benefit of any tax credits whether central, state or local, availed by FVRL and the obligations if any for payment of the tax on any assets or their erection and / or installation, etc. shall be deemed to have been availed by PRIL or as the case may be deemed to be the obligations of PRIL. Consequently, and as the Scheme does not contemplate removal of any asset by PRIL from the premises in which it is installed, no reversal of any tax credit needs to be made or is required to be made.
- 12.2 With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable/receivable by FVRL including all or any refunds/credit/claims relating thereto shall be treated as the asset/liability or refunds/credit/claims, as the case may be, of PRIL.
- 12.3 PRIL is expressly permitted to revise its tax returns, tax deducted at source (TDS) certificates/ returns and to claim deductions, refunds, advance tax credits, excise and service tax credits, set off, etc., upon coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates, as applicable, and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.

13. SAVING OF CONCLUDED TRANSACTIONS

The vesting of the undertaking of FVRL into PRIL shall not affect any transaction or proceedings already concluded on or after the Appointed Date till the Effective Date, to the end and intent that PRIL accepts and adopts all acts, deeds and things done and executed by or on behalf of FVRL.



14. WINDING UP OF FVRL

- 14.1 On and from the Effective Date, FVRL shall stand dissolved without being wound up.
- 14.2 On and with effect from the Effective Date, the name of FVRL shall be struck off from the records of the relevant Registrar of Companies.
- 14.3 The Board of Directors (or any Committee thereof) of FVRL shall without any further act, instrument or deed be and stand dissolved.

PART IV

GENERAL CLAUSES AND OTHER TERMS AND CONDITIONS

15. RESOLUTIONS

- 15.1 Approval to this Scheme by the share holders of PRIL and FVRL shall be deemed to be their approval under all the requisite provisions of the Act for all matters in relation to the Scheme including but not limited to issuance / conversion of securities and vesting of investments / instruments.

16. APPLICATION TO HIGH COURT

- 16.1 PRIL and FVRL shall with all reasonable dispatch make all necessary applications under Sections 391 to 394 of the Act and other applicable provisions of the Act to the High Court or such other appropriate authority for sanction of this Scheme and all matters ancillary or incidental thereto.

17. MODIFICATION OR AMENDMENTS TO THE SCHEME

- 17.1 PRIL and FVRL by their respective Boards of Directors ('the Board', which term shall include Committee thereof), may assent to/make and/or consent to any modifications/amendments to the Scheme or to any conditions or limitations that the Court and/or any other Authority under law may deem fit to direct or impose, or which may otherwise be considered necessary, desirable or appropriate as a result of subsequent events or otherwise by them (i.e. the Board). PRIL and FVRL by their respective Board are authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme, whether by reason of any directive or Orders of any other authorities or otherwise howsoever, arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

18. CONDITIONALITY OF THE SCHEME

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

- 18.1 The Scheme being approved by the requisite majority in number and value of such classes of persons including the respective members and/or creditors of PRIL and FVRL as may be directed by the High Court.



18.2 The sanction of the High Court under Sections 391 to 394 of the said Act in favour of PRIL and FVRL under the said provisions and to the necessary Order under Section 394 of the said Act being obtained;

18.3 Certified or authenticated copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, of Maharashtra at Mumbai by PRIL and FVRL as may be applicable.

19. EFFECT OF NON-RECEIPT OF APPROVALS

19.1 In the event of any of the said sanctions and approvals referred to in the preceding clause not being obtained and/ or the Scheme not being sanctioned by the High Court or such other competent authority and / or the Order not being passed as aforesaid before December 31, 2014 or within such further period or periods as may be agreed upon between PRIL and FVRL by their respective Board of Directors (and which the Board of Directors of the companies are hereby empowered and authorized to agree to and extend the Scheme from time to time without any limitation), this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

20. COSTS, CHARGES & EXPENSES

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

