

Bajaj Auto Limited

Regd. Office : Mumbai-Pune Road, Akurdi, Pune - 411 035.

MEETING OF THE UNSECURED CREDITORS	CONTENTS	PAGES
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**IN THE HIGH COURT OF JUDICATURE AT BOMBAY ORDINARY ORIGINAL
CIVIL JURISDICTION COMPANY APPLICATION NO. 715 OF 2007**

In the matter of Sections 391 to 394 of the Companies Act, 1956;

And

In the matter of the Scheme of Arrangement between Bajaj Auto Limited, Bajaj Holdings & Investment Limited and Bajaj Finserv Limited and their respective shareholders and creditors.

And

In the matter of Bajaj Auto Limited, a company incorporated under the Indian Companies Act, 1913, and having its registered office at Mumbai-Pune Road, Akurdi, Pune 411035;

Bajaj Auto Limited, a company incorporated)	
under the Indian Companies Act, 1913, and having its)	
registered office at Mumbai-Pune Road,)	
Akurdi, Pune 411035.	}Applicant Company

**NOTICE CONVENING MEETING OF THE UNSECURED CREDITORS OF
BAJAJ AUTO LIMITED, THE APPLICANT COMPANY**

To,
The Unsecured Creditors of Bajaj Auto Limited (the "Applicant Company")

TAKE NOTICE that by an Order made on the 6th day of July, 2007, in the above Company Application, the Hon'ble High Court of Judicature at Bombay has directed that a meeting of the Unsecured Creditors of the Applicant Company be convened and held on Saturday, 18th day of August, 2007 at 01.30 p.m. at the registered office of the Applicant Company at Mumbai-Pune Road, Akurdi, Pune 411035 for the purpose of considering and, if thought fit, approving with or without modification(s), the Scheme of Arrangement between Bajaj Auto Limited, Bajaj Holdings & Investment Limited and Bajaj Finserv Limited and their respective shareholders and creditors.

TAKE FURTHER NOTICE that in pursuance of the said Order and as directed therein, a meeting of the Unsecured Creditors of the Applicant Company will be convened and held at the registered office of the Applicant Company at Mumbai-Pune Road, Akurdi, Pune 411035, on Saturday, 18th day of August 2007 at 01.30 p.m., at which time and place you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by authorised representative or by proxy, provided that a proxy / authorisation in the prescribed form, duly signed by you, or your authorised representative, is deposited at the registered office of the Applicant Company at Mumbai-Pune Road, Akurdi, Pune 411035, not later than 48 hours before the scheduled commencement of the said meeting.

The Hon'ble Court has appointed Mr. Rahul Bajaj, Chairman of the Applicant Company, and failing him Mr. S. H. Khan, Chairman, Audit Committee of the Applicant Company and failing him Mr Madhur Bajaj, Vice-Chairman of the Applicant Company to be the Chairman of the said meeting.

A copy each of the Scheme, the Statement under Section 393 of the Companies Act, 1956, a Form of Proxy and Attendance Slip is enclosed.

[Rahul Bajaj]
Chairman appointed for the meeting.

Dated this 12th day of July, 2007.

Registered Office:
Mumbai-Pune Road,
Akurdi, Pune 411035,

Notes: (1) All alterations made in the Form of Proxy should be initialled.
(2) Only Unsecured Creditors of the Applicant Company may attend and vote (either in person or by proxy or by authorised representative) at the Unsecured Creditors' meeting.

Enclosure: As above

**IN THE HIGH COURT OF JUDICATURE AT
BOMBAY ORDINARY ORIGINAL CIVIL
JURISDICTION COMPANY APPLICATION
NO. 715 OF 2007**

In the matter of Sections 391 to 394 of the
Companies Act, 1956;

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In the matter of the Scheme of
Arrangement between Bajaj Auto
Limited, Bajaj Holdings & Investment
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Akurdi, Pune 411035.	}	...Applicant Company

**EXPLANATORY STATEMENT UNDER SECTION
393 OF THE COMPANIES ACT, 1956.**

1. Pursuant to the Order dated 6th July, 2007 passed by the Hon'ble High Court of Judicature at Bombay, in the Company Application referred to above, meetings of the Equity Shareholders, and Unsecured Creditors of the Applicant Company are being convened for the purpose of considering and, if thought fit, approving with or without modification(s), the arrangement embodied in the Scheme of Arrangement between the (i) Applicant Company, (ii) Bajaj Holdings & Investment Limited, a company incorporated under the Companies Act, 1956 (hereinafter "**the Act**") having its registered office at Bajaj Auto Ltd Complex, Mumbai-Pune Road, Akurdi, Pune 411035, and (iii) Bajaj Finserv Limited, a company incorporated under the Act having its registered office at Bajaj Auto Ltd Complex, Mumbai- Pune Road, Akurdi, Pune 411035 and their respective shareholders and creditors ("the Scheme" or "the Scheme of Arrangement"). A copy of the Scheme (with the amendment as directed by the BSE while issuing their no-objection referred to in para 29 herein below duly incorporated) is attached to this Explanatory Statement as **Annexure 1**.
2. The Applicant Company was incorporated as Bachhraj Trading Corporation Private Limited on 29th day of November 1945 under the Indian Companies Act, 1913. The name of the Applicant Company was subsequently changed to Bajaj Auto Private Limited on 21st June 1960 and to Bajaj Auto Limited pursuant to a fresh certificate of incorporation consequent on change of name on 11th day of October

1960. The Applicant Company has its registered office at Mumbai - Pune Road, Akurdi, Pune 411035. It is proposed that upon the Scheme becoming effective, the name of the Applicant Company shall change to 'Bajaj Holdings & Investment Ltd.'.

3. The objects for which the Applicant Company has been established are set out in its Memorandum of Association and are, inter alia, as under:

1. *To carry on the business of manufacturing, buying, selling, reselling, exchanging, altering, importing, improving, assembling, distributing and dealing in Motor vehicles, packages of component parts thereof, Trucks, Tractors, Chassis, Motors, Autorickshaws, Scooters, Motor-Scooters, three-wheelers, motor cycles, cycles, buses, lorries, omnibuses, engines, locomotives, turbines, tanks, ships, boats, barges, launches, aeroplanes, air-ships, seaplanes, balloons and aircraft of every description and other vehicles and component or motor vehicle replacement parts, tools, implements, spare parts, accessories, materials and products for the transport or conveyance of passengers, merchandise and goods of every description whether propelled or used by electricity, steam, oil, vapour, gas, petroleum, diesel oil, or any other motive or mechanical power, in India or elsewhere; and in particular, to assemble and manufacture Vespa Scooters and Vespa three-wheelers under licence from Messrs. Piaggio & Co., Genoa, ITALY.*

2. *To manufacture, buy, sell, exchange, alter, improve, manipulate, prepare for market, import or export and otherwise deal in all kinds of plant, machinery, apparatus, tools, utensils, substances, materials and things necessary or convenient for carrying on any of the above specified business or processes or usually dealt in by persons engaged in the like.*

- 3A. *To carry on the business of manufacturing or generating electrical energy, by use of gas, wind, solar, thermal, hydro, atomic, or any other conventional or non-conventional source for captive consumption and/or for transmitting, distributing, conveying or supplying the same by whatever means to any user, trader or any person or agency.*

4. The Applicant Company is directly engaged in or is interested through its associates and joint venture companies in several businesses. These include undertakings / businesses pertaining to (i) the two and three-wheeler manufacturing undertaking ("**Manufacturing Undertaking**") and (ii) the strategic businesses comprising the generation of wind-energy using wind-farms, the insurance business conducted through its joint ventures, Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz General Insurance Company Limited, financial products distribution business conducted through Bajaj Allianz Financial Distributors Limited and interests in retail / consumer finance business conducted by Bajaj Auto Finance Ltd. (collectively, the "**Strategic Business Undertaking**").

5. The present share capital structure of the Applicant Company as on date of this explanatory statement is as under:

Authorised	15,00,00,000 equity shares of Rs. 10 each i.e. Rs. 150,00,00,000
Issued, Subscribed and Paid-up	10,11,83,510 equity shares of Rs. 10 each i.e. Rs. 101,18,35,100*

* Includes equity shares represented by GDRs.

The equity shares of the Applicant Company are listed on the BSE and NSE. The GDRs representing the underlying equity shares of the Demerged Company are listed on the London Stock Exchange.

6. Bajaj Holdings & Investment Ltd. ("**Resulting Company1**") is incorporated on the 30th April 2007, under the Act, as a wholly-owned subsidiary of the Applicant Company. It is proposed that upon the Scheme becoming effective, the name of the Company shall change to 'Bajaj Auto Limited' and the objects clause shall be modified to reflect the new business of the transferred Manufacturing Undertaking.
7. The objects for which the Resulting Company1 has been established are set out in its Memorandum of Association. The main objects are set out hereunder:

"1. Subject to prior approval of Reserve Bank of India, to carry on the business of an Investment Company and to buy, underwrite, invest, acquire, hold, and deal in the name of the Company or its nominees shares, stocks, debentures, debenture-stock, bonds, commercial papers, obligations and securities of any kind, issued / or guaranteed by any Company in India or elsewhere and debentures, debenture-stock, bonds, obligations and securities issued / or guaranteed by any Government, State, Public Body or authority, firm or person in India or elsewhere."

8. The present share capital structure of the Resulting Company1 as on date of this explanatory statement is as under:

Authorised	15,00,00,000 equity shares of Rs. 10 each i.e. Rs. 150,00,00,000
Issued, Subscribed and Paid-up	4,35,00,000 equity shares of Rs. 10 each i.e. Rs. 43,50,00,000

The equity shares of the Resulting Company1 are, at present, not listed on any Stock Exchanges.

9. Bajaj Finserv Ltd. ("**Resulting Company2**") is incorporated on the 30th April 2007, under the Act as a wholly-owned subsidiary of the Applicant Company.
10. The objects for which the Resulting Company 2 has been established are set out in its Memorandum of Association. The main objects are set out hereunder:

1. *To carry on financing operations and perform financing services for leasing and hire purchase transactions including arranging and managing leasing and hire purchase business, factoring, bill purchase and discounting, guaranteeing, counter guaranteeing, procuring loans and finance from banks and financial institutions, companies, firms or*

individuals, and to carry on the business of financial consultancy, negotiating loans, merchant banking, factors, foreign exchange dealers and to render any or all the above operations or services to any individual or group of individuals, firms, associations, companies, statutory corporations, public authorities or Governments.

2. *To finance the Industrial Enterprises and to provide venture capital, seed capital, loan capital and to participate in equity / preference share capital or to give guarantees on behalf of the company in the matter*

11. The present share capital structure of the Resulting Company 2 as on date of this explanatory statement is as under:

Authorised	15,00,00,000 equity shares of Rs. 5 each i.e. Rs. 75,00,00,000
Issued, Subscribed and Paid-up	4,35,00,000 equity shares of Rs. 5 each i.e. Rs. 21,75,00,000

The equity shares of the Resulting Company2 are, at present, not listed on any Stock Exchanges.

12. Each of the Resulting Companies is, presently, a wholly-owned subsidiary of the Applicant Company. After issue of shares by each Resulting Company in terms of Clause 11.1 of the Scheme of Arrangement, the Resulting Companies would cease to be subsidiaries of the Applicant Company.
13. Considering the growth opportunities in the auto, wind-energy, insurance and finance sectors, the Board of Directors of the Applicant Company has considered it timely and appropriate to demerge these activities into separate entities, each of which can focus on these core businesses and strengthen competencies.
14. The demerger will create three separate entities with management focus on clearly laid out objectives, pursuant to which: -
- Resulting Company1 would focus on auto business;
 - Resulting Company2 will focus on wind-energy generation, insurance, consumer finance, financial products distribution business and new initiatives in financial services space; and
 - The Applicant Company, defined in the Scheme as the Demerged Company, which will function primarily as an investment company will focus on new business opportunities.
15. The two new companies will be able to tap (on an arm's length basis) into the cash pool of the Demerged Company to support future growth initiatives, if required. The demerger will enable the investors to hold separate focused stocks. The demerger will facilitate more transparent benchmarking of the companies with its peers in their respective industries.
16. The Scheme would operate as under:
- The Applicant Company has formed two wholly-owned subsidiaries viz. the Resulting Company1 and Resulting Company2.

- (b) The Manufacturing Undertaking as defined in detail in the Scheme which comprises of the auto business of the Applicant Company along with all assets and liabilities pertaining thereto, including investments in PT Bajaj Auto Indonesia and in a few vendor companies and investments in Government Securities, Bonds, Debentures and Mutual Funds of Book Value of Rs. 16173.6 million (market value as on 31.03.2007 Rs. 15003.5 million) would be transferred to the Resulting Company1
- (c) The Strategic Business Undertaking as defined in detail in the Scheme comprising the generation of wind-energy using wind farms, insurance business conducted through its joint ventures Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz General Insurance Company Limited, financial products distribution business conducted through Bajaj Allianz Financial Distributors Limited and interests in the retail / consumer finance business conducted by Bajaj Auto Finance Limited along with relevant assets and liabilities and Investments in Government Securities, Bonds, Debentures and Mutual Funds of Book Value of Rs. 8752.90 million (market value as on 31-03-2007 Rs. 8001.50 million) would be transferred to the Resulting Company2.
- (d) The remaining assets and liabilities including investments in group companies would be retained in the Applicant Company defined more particularly as "Remaining Undertaking" in the Scheme.
17. All shareholders in the Applicant Company on the record date would become shareholders in each of the Resulting Companies and would be issued shares of the Resulting Companies in the ratio 1:1. As per the Scheme, the relevant assets and liabilities will be transferred to the Resulting Companies at Book Value. Given the fact that all existing shareholders of the Applicant Company will have proportionate participation in the Resulting Companies in addition to their existing holding in the Applicant Company, the ratio has been fixed as 1:1.
After such issuance, each shareholder would, for every share held in the Applicant Company:-
- continue to hold one equity share of the Applicant Company of face value of Rs. 10 each fully paid up,
 - be allotted one equity share of the Resulting Company1 of face value of Rs. 10 each fully paid up and
 - be allotted one equity share of the Resulting Company2 of face value of Rs. 5 each fully paid up.
18. After the issue of new shares, the existing shareholders of the Applicant Company would hold about 70% shares in the Resulting Companies in the same ratio as their current holding, with the remaining about 30% being held by the Applicant Company. In this manner, the shareholders of the Applicant Company shall directly and indirectly hold 100% share capital of the Resulting Companies.
19. The proposed transaction reinforces the commitment of the Bajaj Auto Limited Group to the businesses of the Resulting Companies. The transaction structure will also enable the new companies to tap into the cash pool of the Applicant Company to support their future growth initiatives even while enabling the Applicant Company to participate in the growth of the auto business and the insurance business, the financial services and products distribution business.
20. Consistent with the above, the Board of Directors of the Applicant Company considered that this Scheme of Arrangement would be the most appropriate methodology, as it is transparent and no shareholder suffers any detriment. Besides, such a structure unlocks value for the shareholders. The Board of Directors of the Applicant Company is of the opinion that the demerger would benefit the shareholders, employees and other stakeholders of the Applicant Company. The restructuring would benefit the shareholders of the Applicant in as much as they would be entitled to receive (upon the coming into effect of the Scheme) shares of the Resulting Companies, which would enable the shareholders to participate in the growth and the future prospects of the Applicant as well as the Resulting Companies. Additionally, each shareholder would now have the option to choose between either remaining in all the Companies or selectively exiting any of the Companies.
21. It is therefore, proposed that the Manufacturing Undertaking and the Strategic Business Undertaking be segregated and demerged, pursuant to Scheme of Arrangement and transferred to separate companies. The Applicant Company will continue the business of the Remaining Undertaking and other businesses and develop new business focus.
22. With the aforesaid objectives, each of the Resulting Companies is intended to give effect to the terms of the Scheme of Arrangement.
23. The demerger of the Manufacturing Undertaking and the Strategic Business Undertaking of the Applicant Company under the Scheme of Arrangement will be effected under the provisions of Sections 391 to 394 of the Act. The proposed demerger complies with the provisions of Section 2(19AA) of the Income Tax Act, 1961, such that:
- all the properties of the Demerged Undertakings (as defined hereinafter) being transferred by the Demerged Company becoming the properties of the respective Resulting Companies by virtue of the demerger;
 - all the liabilities relating to the Demerged Undertakings being transferred by the Demerged Company, becoming the liabilities of the respective Resulting Companies by virtue of the demerger;
 - the properties and the liabilities, if any, relating to the Demerged Undertakings being transferred by the Demerged Company are transferred to the respective Resulting Companies at the values entered in the books of accounts of the Demerged Company;
 - each of the Resulting Companies shall issue shares to the shareholders of the Demerged Company in consideration of the demerger in the same proportion in which shares are held by them in the Demerged Company subject to the terms hereof;
 - all shareholders of the Demerged Company shall become the shareholders of each of the Resulting Companies by virtue of the demerger; and
 - the transfer and vesting of the Demerged Undertakings will be on a going concern basis.

24. The salient features of the Scheme of Arrangement are;-

(a) Key Definitions:

“**Appointed Date**” means closing hours of business on 31st March, 2007 or such other date as may be approved by the High Court;

“**Demerged Company**” means Bajaj Auto Limited, a Public Limited Company incorporated under the provisions of the Indian Companies Act, 1913 and having its registered office at Mumbai Pune Road, Akurdi, Pune, 411 035;

“**Demerged Undertakings**” means collectively, (i) the Manufacturing Undertaking, (ii) the Strategic Business Undertaking and the term ‘**Demerged Undertaking**’ means any of the Demerged Undertakings, as the context may require;

“**Effective Date**” means the last of the dates on which the conditions and matters referred to in Clause 20.1 hereof occur or have been fulfilled or waived;

“**Remaining Undertaking**” means all the businesses and all properties, assets, investments and liabilities of the Demerged Company other than the Manufacturing Undertaking and the Strategic Business Undertaking;

“**Resulting Company1**” means Bajaj Holdings & Investment Limited, having its registered office at Bajaj Auto Ltd Complex, Mumbai-Pune Road, Akurdi, Pune 411 035;

“**Resulting Company2**” means Bajaj Finserv Limited, having its registered office at Bajaj Auto Ltd Complex, Mumbai - Pune Road, Akurdi, Pune 411 035.

(b) The Scheme of Arrangement provides that though it shall become effective from the Effective Date, the provisions of the Scheme of Arrangement shall be applicable and come into operation from the Appointed Date.

(c) Upon the coming into effect of the Scheme and with effect from the Appointed Date and subject to the provisions of the Scheme, each of the Demerged Undertakings 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 respective Resulting Companies on a going concern basis such that all the properties, assets, rights, claims, title, interest, authorities and liabilities comprised in the concerned Demerged Undertaking immediately before the demerger shall become that of the relevant Resulting Company by virtue of and in the manner provided in the Scheme.

(d) 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 Undertakings 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 relevant Resulting Company upon the coming into effect of the Scheme pursuant to the provisions of Sections 391 to 394 of the Act.

(e) Upon the coming into effect of the Scheme, all agreements, contracts, arrangements, engagements, deeds and other

instruments of whatsoever nature relating to the Demerged Undertakings to which the Demerged Company is a party or to the benefit of which it may be eligible, and subsisting or having effect on the Effective Date, shall continue in full force and effect on or against or in favour of, as the case may be, the relevant Resulting Company.

(f) Upon the coming into effect of the Scheme, all consents, permissions, licences, registrations, authorization in relation to the Demerged Undertaking shall stand transferred to the relevant Resulting Company and the rights and benefits under the same shall be available to such Resulting Company.

(g) Upon the coming into effect of the 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 Undertakings whether or not provided in the Books of the demerged company shall, without any further act or deed, be demerged from the Demerged Company and be transferred to and be deemed to be transferred to the relevant 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.

(h) The Scheme provides that if 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 any of the Resulting Companies 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 relevant Resulting Company.

(j) All loans raised and all liabilities and obligations incurred by the Demerged Company for the operations of any Demerged Undertaking after the Appointed Date and prior to the Effective Date shall, subject to the terms of this Scheme, be deemed to have been raised or incurred for and on behalf of the relevant Resulting Company in which the respective Demerged Undertaking 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 and stand transferred to the relevant Resulting Company and shall become the debts, liabilities, duties and obligations of the said Resulting Company which shall meet, discharge and satisfy the same.

(k) In so far as any Encumbrances over the assets comprised in the Demerged Undertakings 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 they 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.

(l) The Scheme requires that, with effect from the Appointed Date and up to and including the Effective Date subject to the provisions of the Scheme, the Demerged Company shall be

deemed to have been carrying on and to be carrying on all business and activities relating to the Demerged Undertaking for and on account of, and in trust for, the relevant Resulting Company.

- (m) All profits and income accruing or arising to the Demerged Company, or losses and expenditure arising or incurred by it (including the effect of taxes if any thereon), relating to the Demerged Undertaking based on the audited accounts of the Demerged Company shall for all purposes, be treated as the profits or income or losses or expenditure, as the case may be, of the respective Resulting Company.
- (n) The Scheme also requires that any of the rights, powers, authorities, privileges, obligations, duties and commitments attached, related or pertaining to the Demerged Undertakings exercised or undertaken by the Demerged Company shall be deemed to have been exercised or undertaken by the Demerged Company for and on behalf of, and in trust for and as an agent of the respective Resulting Companies.
- (o) Provisions have also been made in the Scheme for transfer of all employees, consultants and advisors of the Demerged Company engaged in or in relation to the Demerged Undertaking as on the Effective Date to the Resulting Company on terms and conditions not less favourable than those on which they are engaged in the Demerged Undertaking and without any interruption of service. The Scheme also provides for the transfer of pension funds, gratuity funds, superannuation funds, provident funds and such other funds in relation to such employees to the relevant Resulting Company.
- (p) The Scheme also makes provisions in relation to the Remaining Undertaking, and provides that the 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 encumbrances in favour of banks and financial institutions). The Scheme also provides for the continuance of legal, taxation and other proceedings by or against the Demerged Company in relation to the Remaining Undertaking.
- (r) After the Scheme takes effect, in consideration of the demerger including the transfer and vesting of each of the Demerged Undertakings in the Resulting Companies, each of the Resulting Companies shall, without any further act or deed, issue and allot to each eligible 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 respective Resulting Company in the following ratios:
1. In the case of Resulting Company1, in the ratio of 1 (one) equity share in the Resulting Company of Rs.10/- (Rupees ten) each credited as fully paid-up for every 1 (one) equity share of Rs.10/- each fully paid-up held by such member or his / her / its heirs, executors, administrators or successors in title in the Demerged Company.
 2. In the case of the Resulting Company2, in the ratio of 1 (one) equity share in the Resulting Company of Rs.5/- (Rupees five) each credited as fully paid-up for every 1 (one) equity share of Rs.10/- each fully paid-up held by such member or his / her / its heirs, executors, administrators or successors in title in the Demerged Company.
- (s) The Scheme of Arrangement provides that each of the Resulting Companies may, on or before expiry of 150 (One hundred and fifty) days from the Record Date, in consultation with the Depository for the GDR holders of the Demerged Company and by entering into appropriate agreements with the said Depository or any other Depository (appointed by the Resulting Companies) for the issuance of GDRs, (whether listed or otherwise), instruct such Depository to issue GDRs of the Resulting Companies, or any of them, to the holders of GDRs of the Demerged Company which shall be irrevocably put in motion within the said period. Any holder of GDRs of the Demerged Company may at any time after the Record Date, but prior to the issuance of GDRs by a Resulting Company, instruct the Depository to transfer the underlying shares of such Resulting Company to such GDR holder. In such a case, the relevant Resulting Company shall obtain such permissions as may be necessary.
- (t) The Scheme also provides that the holders of GDRs of the Demerged Company who wish to directly receive shares of the Resulting Companies may surrender the GDRs of the Demerged Company held by them before the Record Date in exchange for shares of the Demerged Company. Such GDR holders holding shares of the Demerged Company on the Record Date shall then be entitled to receive shares of Resulting Companies in accordance with the Share Entitlement Ratio specified in the Scheme of Arrangement. The Resulting Companies shall use its reasonable endeavours to list the GDRs on the London Stock Exchange subject to the applicable regulations or law, and the Resulting Companies shall take such additional steps and do all such acts, deeds and things, as may be necessary for the purposes of listing.
- (u) The Scheme also provides certain other provisions applicable to issue of shares which include issue of shares by each of the Resulting Companies in dematerialized form, or physical form on the terms set out in the Scheme, listing of the shares, obtaining approval for issue of shares from relevant authorities, shares kept in abeyance and cost of acquisition of the shares of the Resulting Companies in the hands of shareholders of the Demerged Company.
- (v) The new equity shares issued and allotted by the Resulting Companies in terms of the Scheme shall be subject to the provisions of the Memorandum and Articles of Association of the Resulting Companies and shall inter-se rank pari passu in all respects.
- (w) 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 relevant Resulting Company, issuance of equity shares in terms of Clause 11.1 of the Scheme shall be done to the eligible members of the Demerged Company within 45 days from the Effective Date.

- (x) The Equity shares of the Resulting Companies issued in terms of Clause 11.1 of this Scheme will be listed and/or admitted to trading on the NSE and the BSE, 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 Equity shares allotted pursuant to this Scheme shall remain frozen in the depositories system till listing / trading permission is given.
- (y) The Scheme also contains provisions regarding accounting treatment in the books of the Demerged Company as also the Resulting Companies.
- (z) The Scheme also clarifies that the Demerged Company and each 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, provided that the shareholders of the Demerged Company shall not be entitled to dividend, if any, declared and paid by a Resulting Company to its shareholders for the accounting period prior to the Appointed Date.
- (aa) The holders of the shares of the Demerged Company and the Resulting Companies shall, save as expressly provided otherwise in the Scheme, continue to enjoy their existing rights under their respective Articles of Association including the right to receive dividends.
- (bb) The Scheme provides that the Resulting Companies will have the right to use the trademark "Bajaj" owned by the Demerged Company and suitable agreements will be entered into in this regard.
- (cc) The Scheme provides certain powers to the Demerged Company (by its Board of Directors or any director authorized in that behalf) and each of the Resulting Companies (by its Board of Directors any director authorized in that behalf) to assent to any modification or amendments or additions to the Scheme which the Court approves or imposes and which they may in their discretion accept. The Scheme further empowers the authorized director of the Demerged Company and each of the Resulting Companies, to settle any question or difficulty arising under the Scheme to review the position relating to the satisfaction of various conditions of the Scheme and if necessary, to waive any of those conditions.
- (dd) The 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 Companies as required under the Act and the requisite orders of the High Court referred to in Clause 18 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, Pune.
- (ee) The Scheme further provides that in the event of the 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 Companies, the 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.
- (ff) All costs, charges, levies and expenses (including stamp duty) in relation to or in connection with or incidental to this Scheme or the implementation thereof shall be borne and paid for by the Demerged Company.
25. The equity shareholding pattern of the Applicant Company pre- and post-demerger is annexed hereto and marked as **Annexure 2**.
26. 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.
27. The rights and interests of the members and the creditors of the Applicant Company and the Resulting Companies will not be prejudicially affected by the Scheme.
28. The Scheme of Arrangement was approved by the respective Board of Directors of the Applicant Company and the Resulting Companies on 17th May 2007.
29. The Applicant Company has received no objection letters from the BSE and the NSE for filing the Scheme with the Hon'ble Bombay High Court.
30. No investigation proceedings have been instituted or are pending in relation to the Applicant Company under Sections 235 and 250A of the Act.
31. On the Scheme of Arrangement being approved as per the requirements of Section 391 of the Act, the Applicant Company and the Resulting Companies will seek the sanction of the Hon'ble Bombay High Court to the Scheme.
32. The directors of each of the Applicant Company and the Resulting Companies may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in the respective 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

33. Resulting Companies as a result of the Scheme of Arrangement. The respective shareholding (singly or jointly) of Directors of the Applicant Company in the Applicant Company and the Resulting Companies as on the date of explanatory statement is as under:-

Name of Director in applicant company	In Bajaj Auto Ltd. (No of shares of Rs. 10/- each) (Applicant Company)	In Bajaj Holdings & Investment Ltd. (No of shares of Rs. 10/- each) (Resulting company1)	In Bajaj Finserv Ltd. (No of shares of Rs. 5/- each) (Resulting company2)
Rahul Bajaj	2,000,592	*100	*200
Madhur Bajaj	846,516	-	-
Rajiv Bajaj	373,050	*100	*200
Sanjiv Bajaj	394,271	*100	*200
Shekhar Bajaj	779,690	-	-
Niraj Bajaj	1,248,488	-	-
D S Mehta	8,490	-	-
Manish Kejriwal	100	-	-

* As nominees of the Applicant Company jointly with Applicant Company. The other directors in the Applicant Company do not hold any shares either in the Applicant Company or in the two Resulting Companies.

Mr. Rahul Bajaj, Mr. Madhur Bajaj, Mr. Rajiv Bajaj and Mr. Sanjiv Bajaj named above, are the only directors of each of the Resulting

34. Companies. The following documents will be open for inspection by the Unsecured Creditors of Applicant Company up to one day prior to the date of the Meeting at its Registered Office between 10:30 a.m. and 12:30 p.m. on all working days, except Saturday:

- Certified copy of the Order of the Hon'ble Bombay High Court dated 6th July 2007, in the above Company Application directing the convening of the meeting;
- Copies of the Memorandum and Articles of Association of the Applicant Company and the Resulting Companies;
- Audited Balance Sheet and Profit and Loss Account of the Applicant Company for the financial year ended 31st March 2007 along with the Annual Report;
- Copies of the no objection letters dated 15th June 2007 and 15th June 2007 received respectively from the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.
- Scheme of Arrangement.

[Rahul Bajaj]
Chairman appointed for the meeting.

Dated this 12th day of July, 2007.

Registered Office:
Mumbai-Pune Road, Akurdi, Pune 411 035.
Encl : As above
Note : All alternations made in the form of proxy should be initialled.

ANNEXURE 1

SCHEME OF ARRANGEMENT BETWEEN

Bajaj Auto Ltd.
(Demerged Company)

AND

Bajaj Holdings & Investment Ltd.
(Resulting Company1)

AND

Bajaj Finserv Ltd.
(Resulting Company2)

AND

**THEIR RESPECTIVE SHAREHOLDERS
AND CREDITORS**

Under Sections 391 to 394 of the Companies Act, 1956.

PRELIMINARY

PREAMBLE

- (A) The Demerged Company, is engaged *inter alia* in the:
- (i) Manufacturing Business;
 - (ii) Wind Farm Business; and
 - (iii) Financial Services Business carried on *inter alia* through its joint venture companies BAIL, BAGL, BFDL and associate company BAFL.
- (B) The equity shares of the Demerged Company and BAFL are listed on the Bombay Stock Exchange Ltd and the National Stock Exchange Limited. The GDRs of the Demerged Company are listed on the London Stock Exchange.
- (C) The Resulting Company1 is a wholly owned subsidiary of the Demerged Company incorporated with the object *inter-alia* of carrying on the Manufacturing Business.
- (D) The Resulting Company2 is a wholly owned subsidiary of the Demerged Company incorporated with the object *inter-alia* of carrying on the Wind Farm Business and the Financial Services Business.
- (E) In furtherance of a restructuring proposal considered by the Board of Directors of the Demerged Company, this Scheme is presented for transfer and vesting of (i) the Manufacturing Undertaking of the Demerged Company, as a going concern, to and in Resulting Company1 and (ii) the Strategic Business Undertaking comprising the Wind Farm Business and Financial Services Business of the Demerged Company, as a going concern, to and in Resulting Company2.
- (F) Upon the Scheme becoming effective, all the shareholders of the Demerged Company will become shareholders of Resulting Company1 and Resulting Company2 in the same proportion in which shares are held by them in the Demerged Company along with the existing shareholder of Resulting Company1 and Resulting Company2 *viz.* the Demerged Company.

(G) The demerger of the Manufacturing Undertaking and Strategic Business Undertaking of the Demerged Company under this Scheme will be effected under the provisions of Sections 391 to 394 of the Companies Act, 1956 and in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961, such that:

- (i) all the properties of the Demerged Undertakings (as defined hereinafter) being transferred by the Demerged Company becoming the properties of the respective Resulting Companies by virtue of the demerger;
 - (ii) all the liabilities relating to the Demerged Undertakings being transferred by the Demerged Company, becoming the liabilities of the respective Resulting Companies by virtue of the demerger;
 - (iii) the properties and the liabilities, if any, relating to the Demerged Undertakings being transferred by the Demerged Company are transferred to the respective Resulting Companies at the values entered in the books of accounts of the Demerged Company;
 - (iv) each of the Resulting Companies issues shares to the shareholders of the Demerged Company in consideration of the demerger in the same proportion in which shares are held by them in the Demerged Company subject to the terms hereof;
 - (v) all shareholders of the Demerged Company become the shareholders of each of the Resulting Companies by virtue of the demerger; and
 - (vi) the transfer and vesting of the Demerged Undertakings is on a going concern basis.
- (H) This Scheme is divided into the following parts:
- (i) Part I which deals with Definitions;
 - (ii) Part II which deals with the transfer and vesting of (a) the Manufacturing Undertaking of the Demerged Company, as a going concern, to and in Resulting Company1 and (b) the Strategic Business Undertaking of the Demerged Company, as a going concern, to and in the Resulting Company2;
 - (iii) Part III, which deals with the Remaining Undertaking;
 - (iv) Part IV, which deals with the Re-organisation of Capital of the Demerged Company and each of the Resulting Companies;
 - (v) Part V, which deals with the Accounting Treatment; and
 - (vi) Part VI which deals with general terms and conditions.

PART I

DEFINITIONS

1. DEFINITIONS

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

- 1.1 “**Act**” means the Companies Act, 1956 and any statutory modification or re-enactments thereof, for the time being in force;
- 1.2 “**Appointed Date**” means closing hours of business on 31st March,

- 2007 or such other date as may be approved by the High Court;
- 1.3 **“BAIL”** means Bajaj Allianz Life Insurance Company Limited, having its registered office at GE Plaza, Airport Road, Yerawada, Pune, 411006.
- 1.4 **“BAGL”** means Bajaj Allianz General Insurance Company Limited, having its registered office at GE Plaza, Airport Road, Yerawada, Pune, 411006.
- 1.5 **“BAFL”** means Bajaj Auto Finance Limited, having its registered office at Mumbai Pune Road, Akurdi, Pune 411035.
- 1.6 **“BFDL”** means Bajaj Allianz Financial Distributors Limited, having its registered office at GE Plaza, Airport Road, Yerawada, Pune 411006.
- 1.7 **“Demerged Company”** means Bajaj Auto Limited, a Public Limited Company incorporated under the provisions of the Indian Companies Act, 1913 and having its registered office at Mumbai Pune Road, Akurdi, Pune, 411 035;
- 1.8 **“Demerged Undertakings”** means collectively, (i) the Manufacturing Undertaking, (ii) the Strategic Business Undertaking and the term **‘Demerged Undertaking’** means any of the Demerged Undertakings, as the context may require;
- 1.9 **“Effective Date”** means the last of the dates on which the conditions and matters referred to in Clause 20.1 hereof occur or have been fulfilled or waived;
- References in this Scheme to the date of “coming into effect of this Scheme” or “effectiveness of this Scheme” or “Scheme becoming effective” shall be construed accordingly;
- 1.10 **“Financial Services Business”** means the undertaking, business, activities and operations pertaining to financial services business of the Demerged Company including without limitation (i) the life insurance business, non-life insurance business and financial products distribution business carried on through its joint venture companies BAIL, BAGL and BFDL respectively and (ii) interests in the retail consumer finance business conducted by BAFL;
- 1.11 **“GDRs”** means global depository receipts issued by a bank or a depository outside India representing underlying equity shares of an Indian company, pursuant to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme 1993 and other applicable laws;
- 1.12 **“High Court”** shall mean the Hon'ble High Court of Judicature at Bombay and shall be deemed to include the National Company Law Tribunal, where applicable;
- 1.13 **“Manufacturing Business”** means business of manufacture of and dealing in two, three and four-wheeled vehicles and spare parts and accessories thereof;
- 1.14 **“Manufacturing Undertaking”** means the Manufacturing Business, comprising all the assets (whether movable or immovable, tangible or intangible, real or personal, corporeal or incorporeal, present, future or contingent) and liabilities, which relate thereto or are necessary therefor, including specifically, the following:
- (i) The manufacturing facility at Mumbai-Pune Road, Akurdi, Pune, 411 035 together with all that pieces or parcels of freehold and leasehold lands, hereditaments and premises, situate lying and being thereat together with all the buildings and structures standing thereon;
- (ii) The manufacturing facility including the machines tools division at Bajaj Nagar, Waluj, Aurangabad, 431 136,
- together with all that pieces or parcels of freehold and leasehold lands, excluding the area of about 10,02,600sq m, earmarked for Special Economic Zone, hereditaments and premises, situate lying and being thereat together with all the buildings and structures standing thereon;
- (iii) The manufacturing facility at Chakan Industrial Area, Chakan, Pune, 410 501 together with all that pieces or parcels of freehold and leasehold lands, hereditaments and premises, situate lying and being thereat together with all the buildings and structures standing thereon;
- (iv) The manufacturing facility at Plot No 2, Sector 10, Phase II, SIDCUL, Rudrapur, 263531, U.S. Nagar, Uttarakhand, together with all that pieces or parcels of freehold and leasehold lands, hereditaments and premises, situate lying and being thereat together with all the buildings and structures standing thereon;
- (v) The manufacturing facility at Plot No 10, Sector 10, Phase II, SIDCUL, Rudrapur, 263531, U.S. Nagar, Uttarakhand, together with all that pieces or parcels of freehold and leasehold lands, hereditaments and premises, situate lying and being thereat together with all the buildings and structures standing thereon;
- (vi) All sales outlets of the Demerged Company pertaining to the Manufacturing Business;
- (vii) Offices and residential premises of the Demerged Company pertaining to the Manufacturing Business located at various locations excluding (a) the office premises located at Appasaheb Marathe Marg, Prabhadevi, Mumbai, 400025, (b) the office premise at Bajaj Bhavan, Nariman Point, Mumbai 400 021, Second Floor admeasuring 8,409 sq. ft. (c) the office premise at Basement of Bajaj Bhavan Nariman Point, Mumbai 400021, admeasuring 885 sq. ft. (d) the industrial units at Tex Centre, 26A, Chandivali Road, Off Saki Vihar Road, Saki Naka, Andheri, Mumbai 400 072 on third and fourth floor admeasuring 374 sq. ft. and 1495 sq. ft. respectively and (e) the residential flats no. 22 and 61, at Tanna Residency, Veer Savarkar Marg, Prabhadevi, Mumbai, 400025;
- (viii) Investments by the Demerged Company in PT. Bajaj Auto Indonesia;
- (ix) Strategic investments by the Demerged Company in vendor companies, which investments relate to the Manufacturing Business;
- (x) Investments in Government Securities, Bonds, Debentures and Mutual Funds of Book Value Rs.16173.6 Million (Market Value as on 31-3-2007 Rs.15003.5 Million) ;
- (xi) All the moveable and fixed plant and machinery, equipment, installations, appliances, pipes, tools, accessories, computers, furniture, fixtures, office equipment and power lines, water pipelines, ammonia pipelines relating to Manufacturing Business;
- (xii) All the vehicles and the current assets including sundry debtors, receivables, cash, bank balances, loans and advances, actionable claims, bills, credit notes and all inventories, stock-in-trade, raw materials, work-in-progress, finished products, spares, stores, packing material, stock of coal or fuel relating to Manufacturing Business;
- (xiii) All permits, authorizations, licences, consents, registrations,

approvals, municipal permissions, industrial licences, insurance policies, registrations, import-export licenses, bids, tenders, letters of intent, connections for water, electricity and drainage, sanctions, product registrations, quota rights, entitlements, allotments, interests, benefits, allocations, exemptions, concessions, remissions, subsidies, tax deferrals, privileges, easements and advantages, facilities, rights, powers and interests (whether vested or contingent), investments, earnest money and/or deposits, relating to Manufacturing Business;

- (xiv) All agreements, contracts (including forward contracts), arrangements, understandings, bonds, engagements, deeds and instruments including hire purchase agreements (if any), lease agreements, tenancy rights, power purchase / sanction agreements, equipment purchase agreements, agreements with suppliers, agreements with clients / purchasers and all rights, titles, interest, claims and benefits thereunder, relating to Manufacturing Business;
- (xv) All intellectual property rights, trade marks except trademark "BAJAJ", domain names, service marks, colour schemes, logo, records, files, papers, engineering and process information, computer programmes, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers patents, copy rights, technical know-how, designs, design registrations, model registrations etc relating to the Manufacturing Business;
- (xvi) All present and future liabilities (including contingent liabilities) arising out of the activities or operations, including insurance, loans, debts (secured or unsecured), current liabilities and provisions and duties and obligations relating to the Manufacturing Business;
- (xvii) Reserves, provisions and funds, all records, files, papers, engineering and process information, computer programs, manuals, data, catalogues, quotations, sales and advertisement materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records, whether in physical form or electronic form, relating to Manufacturing Business;
- (xviii) All employees of the Demerged Company, pertaining to the Manufacturing Business and any other employees as may be decided by the Board of Directors of the Demerged Company, who are to be transferred to the Resulting Company 1 pursuant to this Scheme as on the Effective Date;
- 1.15 "**Record Date**" means the date to be fixed by the Board of Directors or Committee thereof of the Demerged Company for the purpose of determining the members of the Demerged Company to whom shares will be allotted pursuant to the Scheme;
- 1.16 "**Remaining Undertaking**" means all the businesses and all properties, assets, investments and liabilities of the Demerged Company other than the Manufacturing Undertaking and the Strategic Business Undertaking;
- 1.17 "**Resulting Company1**" means Bajaj Holdings & Investment Limited, having its registered office at Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi, Pune 411 035.
- 1.18 "**Resulting Company2**" means Bajaj Finserv Limited having its registered office at Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi, Pune 411 035.
- 1.19 "**Resulting Companies**" means collectively, the Resulting

Company1 and Resulting Company2 and the term '**Resulting Company**' means any of the Resulting Companies as the context may require;

- 1.20 "**Scheme**" means this Scheme of Arrangement in its present form or with any modification(s) approved, imposed or directed by the High Court and accepted by the Demerged Company;
- 1.21 "**Strategic Business Undertaking**" means the Wind Farm Business and the Financial Services Business comprising all the assets (whether movable or immovable, tangible or intangible, real or personal, corporeal or incorporeal, present future or contingent) and liabilities, which relate thereto or are necessary therefor, including specifically the following:
- (i) The wind-energy generation facility at Village Vankusavade, Savarghar, Nivakane, Marathwadi, Gawdewadi, Taluka Patan, District Satara, Maharashtra together with all that pieces or parcels of freehold and leasehold lands, hereditaments and premises, situate lying and being thereat together with all the buildings and structures standing thereon;
- (ii) The wind-energy generation facility at Village Shahajpur and Kasba Hange, Taluka Parner, District Ahmednagar, Maharashtra together with all that pieces or parcels of freehold and leasehold lands, hereditaments and premises, situate lying and being thereat together with all the buildings and structures standing thereon;
- (iii) All the wind-energy generators, moveable and fixed plant and machinery, equipment, installations, appliances, pipes, tools, accessories, computers, furniture, fixtures, office equipment, power lines, water pipelines relating to Wind Farm Business;
- (iv) All investments of the Demerged Company in BAIL, BAGL, BFDL, BAFL and other assets through which the Demerged Company carries on its business, activities and operations pertaining to the Financial Services Business;
- (v) The office premises situated at Appasaheb Marathe Marg, Prabhadevi, Mumbai, 400025.
- (vi) Investments in Government Securities, Bonds, Debentures and Mutual Funds of Book Value Rs.8752.90 Million (Market Value as on 31-3-2007 Rs.8001.50 Million);
- (vii) All the vehicles and the current assets including sundry debtors, receivables, cash, bank balances, loans and advances, actionable claims, bills, credit notes and all inventories, stores and machinery spare parts relating to Wind Farm Business and the Financial Services Business;
- (viii) All permits, authorizations, licences, consents, registrations, approvals, municipal permissions, industrial licences, insurance policies, registrations, import-export licenses, bids, tenders, letters of intent, connections for water, electricity and drainage, sanctions, product registrations, quota rights, entitlements, allotments, interests, benefits, allocations, exemptions, concessions, remissions, subsidies, tax deferrals, privileges, easements and advantages, facilities, rights, powers and interests (whether vested or contingent) investments, earnest money and/or deposits relating to Wind Farm Business and the Financial Services Business;
- (ix) All agreements, contracts (including forward contracts), arrangements, understandings, bonds, engagements, deeds

and instruments including hire purchase agreements (if any), lease agreements, tenancy rights, power purchase / sanction agreements, equipment purchase agreements, agreements with suppliers, agreements with clients / purchasers and all rights, titles, interest, claims and benefits thereunder relating to the Wind Farm Business and the Financial Services Business;

- (x) All present and future liabilities (including contingent liabilities) arising out of the activities or operations relating to Wind Farm Business and the Financial Services Business, including insurance, loans, debts (secured or unsecured), current liabilities and provisions and duties and obligations relating to the Wind Farm Business and the Financial Services Business;
- (xi) Reserves, provisions and funds, all records, files, papers, process information, computer programs, manuals, data, catalogues, and other records, whether in physical form or electronic form relating to Wind Farm Business and the Financial Services Business;
- (xii) All intellectual property rights, trademarks except trademark 'BAJAJ', domain names, service marks, designs, colour schemes, logo, copyright, records, files, papers, engineering and process information, computer programmes, manuals, data, catalogues, patents, technical know-how, design registrations, quotations, sales and advertising materials, lists of present and former customers relating to Wind Farm Business and the Financial Services Business;
- (xiii) All employees of the Demerged Company, pertaining to the Strategic Business Undertaking and any other employees as may be decided by the Board of Directors of the Demerged Company, who are to be transferred to the Resulting Company2 pursuant to this Scheme as on the Effective Date;

1.22 **“Welfare Funds”** means funds other than Funds as defined in clause 8(b), which are the non-statutory and voluntary funds established by the Demerged Company for the benefit of its employees;

1.23 **“Wind Farm Business”** means the business of generating energy through wind farms.

2. Share Capital as on date of board resolutions approving the Scheme passed by the respective Companies i.e. May 17, 2007

2.1	Demerged Company	
	Authorised	150,000,000 equity shares of Rs. 10 each i.e. Rs. 1,500,000,000
	Issued and paid-Up	101,183,510 equity shares of Rs. 10 each i.e. Rs. 1,011,835,100

2.2	Resulting Company1	
	Authorised	150,000,000 equity shares of Rs. 10 each i.e. Rs. 1,500,000,000
	Issued and paid-Up	43,500,000 equity shares of Rs. 10 each i.e. Rs. 435,000,000

2.3	Resulting Company2	
	Authorised	150,000,000 equity shares of Rs. 5 each i.e. Rs. 750,000,000

Issued and paid-Up 43,500,000 equity shares of Rs. 5 each i.e. Rs. 217,500,000

3. DATE OF TAKING EFFECT AND OPERATIVE DATE

Although this Scheme shall become effective from the Effective Date, the provisions of this Scheme shall be applicable, deemed to and come into operation from the Appointed Date.

PART II

Demerged undertakings

4. Transfer of Demerged Undertakings

4.1 Transfer of Assets

4.1.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date, each of the Demerged Undertakings, the whole of such undertaking's assets and properties, shall pursuant to the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, without any further act or deed, be transferred to and vested in and/or deemed to be transferred to and vested in the respective Resulting Companies on a going concern basis in the following manner:

(i) the Manufacturing Undertaking (including the assets and properties, rights, claims, title, interest and authorities including accretions and appurtenances thereto such as dividends, or other benefits received) shall without any further act or deed, matter or thing be demerged from the Demerged Company and be and stand transferred to and vested in and shall be deemed to be transferred to and vested in the Resulting Company1, such that all properties, assets, rights, claims, title, interest and authorities comprised in the Manufacturing Undertaking immediately before the demerger shall become properties, rights, claims, title, interest and authorities of the Resulting Company1 by virtue of and in the manner provided in this Scheme.

(ii) the Strategic Business Undertaking (including the assets and properties, 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 in any of the companies comprised in the Strategic Business Undertaking) shall without any further act or deed, matter or thing be demerged from the Demerged Company and be and stand transferred to and vested in and shall be deemed to be transferred to and vested in the Resulting Company2 such that all properties, rights, claims, title, interest and authorities comprised in the Strategic Business Undertaking immediately before the demerger shall become properties, assets, rights, claims, title, interest and authorities of the Resulting Company2 by virtue of and in the manner provided in this Scheme.

4.1.2 All assets or investments, rights, titles or interest acquired by the Demerged Company after the Appointed Date, but prior to the Effective Date in relation to the Demerged Undertakings shall also without any further act, instrument or deed, be and stand transferred to and vested in the relevant Resulting Company upon the coming into effect of this Scheme, pursuant to the provisions of Sections 391 and 394 and all other applicable provisions, of the Act.

4.2 Contracts, deeds, licences etc.

4.2.1 Upon the coming into effect of this Scheme and subject to the

provisions of this Scheme, all agreements, contracts, arrangements, understandings, bonds, engagements, deeds and instruments of whatsoever nature relating to the Demerged Undertakings and to which the Demerged Company is a party or to the benefit of which the Demerged Company is eligible and subsisting or having effect on the Effective Date, shall continue to be in full force and effect against or in favour of the relevant Resulting Company and may be enforced by or against the relevant Resulting Company as fully and effectually as if, instead of the Demerged Company, the said Resulting Company had been a party or beneficiary or obligee thereto or thereunder.

4.2.2 Without prejudice to the transfer and vesting of the Demerged Undertaking to and in the Resulting Company, the Resulting Company may, at any time after this Scheme becomes effective, if so required or becomes necessary, enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations with or in favour of any party to any agreements, contracts, arrangements, understandings, bonds, engagements, deeds and instruments to which the Demerged Company is a party and to which the Demerged Company will, if necessary, also be a party, in order to give formal effect to the provisions of this Scheme. The Resulting Company shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of the Demerged Company and to implement or carry out all formalities required on the part of the Demerged Company to give effect to the provisions of this Scheme.

4.2.3 For the avoidance of doubt, it is clarified that upon the coming into effect of this Scheme, all permits, authorizations, licences, consents, registrations, approvals, municipal permissions, industrial licences, insurance policies, registrations, connections for water, electricity and drainage, sanctions, obligations / benefits arising out of bank guarantees given with respect to any appeals with the relevant authorities, privileges, easements and advantages, facilities, rights, powers and interests (whether vested or contingent) and intellectual property rights, save the trademark 'BAJAJ', shall stand transferred to and vested in or shall be deemed to be transferred to and vested in the Resulting Company as if the same were originally given or issued to or executed in favour of the Resulting Company, and the rights and benefits under the same shall be available to the Resulting Company.

4.2.4 It is clarified that if any assets (estate, claims, rights, title, interest in or authorities relating to such assets) or any contracts deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to any of the Demerged Undertakings, which the Demerged Company owns or to which the Demerged Company is a party and which cannot be transferred to the relevant Resulting Company for any reason whatsoever, the Demerged Company shall hold such asset or any contracts deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the relevant Resulting Company to which the respective Demerged Undertaking 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.

4.2.5 On and from the Appointed Date, if any certificate for tax deducted at source or any other tax credit certificate relating to the relevant Demerged Undertaking is received in the name of the Demerged Company, it shall be deemed to have been received by the relevant Resulting Company which alone shall be entitled to claim credit for such tax deducted or paid.

4.2.6 The fringe benefit tax paid in advance by the Demerged Company shall be allocated amongst the Demerged Company and the Resulting Companies, in the proportion in which the corresponding expenditure liable to fringe benefit tax is debited in their respective books of account.

4.3 Transfer of Liabilities

4.3.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date, all debts, liabilities, loans raised, liabilities, duties and obligations of any nature and description (including contingent liabilities) relating to the Demerged Undertakings, shall without any further act or deed, pursuant to the provisions of Sections 391 and 394 and all other applicable provisions, if any, of the Act, be demerged from the Demerged Company be and stand transferred to and/or deemed to be transferred to the relevant 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 relevant Resulting Company, which shall meet discharge and satisfy the same.

4.3.2 Where any of the debts, liabilities, loans raised, liabilities and obligations of the Demerged Company as on the Appointed Date deemed to be transferred to any of the Resulting Companies 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.

4.3.3 All loans raised and all liabilities and obligations incurred by the Demerged Company for the operations of any Demerged Undertaking after the Appointed Date and prior to the Effective Date shall, subject to the terms of this Scheme, be deemed to have been raised or incurred for and on behalf of the relevant Resulting Company in which the respective Demerged Undertaking 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 and stand transferred to the relevant Resulting Company and shall become the debts, liabilities, duties and obligations of the said Resulting Company which shall meet discharge and satisfy the same.

4.3.4 The demerger and the transfer and vesting of the assets comprised in the Demerged Undertakings to and each of the relevant Resulting Companies under clause 4.1 of this Scheme shall be subject to the mortgages and charges, if any affecting the same as hereinafter provided:

(a) The existing securities, mortgages, charges, encumbrances or liens ("**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 the Demerged Undertakings or any part thereof transferred to the respective Resulting Companies 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 relevant Resulting Company and such Encumbrances shall not relate to or attach to any of the other assets of that Resulting Company or the asset forming part of any other Demerged Undertakings transferred to other Resulting Company or to any assets of the Demerged Company.

(b) In so far as any Encumbrances over the assets comprised in the Demerged Undertakings 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 of the Demerged Undertakings 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 Companies 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.

- (c) In so far as any Encumbrances over the assets comprised in the Remaining Undertaking are security for liabilities transferred to either of the Demerged Undertakings, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets of the Remaining Undertaking 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 transferred to the relevant Resultant Company and shall cease to operate against any of the assets retained by the Demerged 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, upon the Scheme becoming effective, the Demerged Company and each of the Resulting Companies shall execute all instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modifications of charge with the Registrar of Companies, Pune, to give formal effect to the above provisions, if required.
- (e) Upon the coming into effect of this Scheme, the Resulting Companies 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 each of the Resulting Companies 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 Companies.
- (f) It is expressly provided that, save as mentioned in clause 4, no other term or condition of the liabilities transferred to the Resulting Companies 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 the clause 4 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. Transfer of Legal Proceedings

- 5.1 Upon the coming into effect of the Scheme, all legal, taxation or any other proceedings (including arbitration) of whatsoever nature by or against Demerged Company, whether pending on the Effective Date (or which may be instituted in future after the Effective Date in respect of any matter arising before the Effective Date and relating to the Demerged Undertakings) shall be continued and enforced by or against the relevant Resulting Company, after the Effective Date.
- 5.2 If proceedings are taken against Demerged Company in respect of the matters referred to in sub-clause 5.1 above, it shall defend the same in accordance with the advice of the relevant Resulting Company and at the cost and risk of the relevant Resulting Company, and the latter shall reimburse and indemnify Demerged Company against all liabilities and obligations incurred by Demerged Company in respect thereof. In respect of such defence, the relevant Resulting Company

shall extend full and timely cooperation, including providing requisite information, personnel and the like, so as to enable Demerged Company to defend the same.

- 5.3 The Resulting Companies also undertake to reimburse and indemnify the Demerged Company against invocation of bank guarantee, if any, relating to the Demerged Undertakings after the Appointed Date.
- 5.4 The Demerged Company and the Resulting Companies shall, to the extent possible, co-operate with each other in respect of any such contest, defence, litigation or settlement arising in respect of the Demerged Undertakings on or after the Appointed Date.

6. Transfer at Book Values

- 6.1 All the assets, properties and liabilities of the Demerged Undertakings, shall be transferred to the Resulting Companies at the values appearing in the books of the Demerged Company at the closing hours of business on March 31, 2007.

7. Conduct of Business

- 7.1 The Demerged Company, with effect from the Appointed Date and upto 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 each of the Demerged Undertakings 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 each of the Demerged Undertakings for and on account of, and in trust for, the respective Resulting Companies;
 - (b) all profits and income accruing or arising to the Demerged Company from the Demerged Undertakings, 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 Undertakings 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 respective Resulting Companies; and
 - (c) any of the rights, powers, authorities, privileges attached, related or pertaining to the Demerged Undertakings 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 respective Resulting Companies. Similarly, any of the obligations, duties and commitments attached, related or pertaining to the Demerged Undertakings that have been undertaken or discharged by the Demerged Company shall be deemed to have been undertaken / discharged for and on behalf of and as an agent for the respective Resulting Companies.
- 7.2 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 each of the Demerged Undertakings with reasonable diligence and business prudence and shall not undertake financial commitments or sell, transfer, alienate, charge, mortgage, or encumber any of the Demerged Undertakings 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; or
 - (b) if the same is expressly permitted by this Scheme.

7.3 As and from the Appointed Date

- (a) All debts, liabilities, loans raised and used, liabilities and obligations incurred, duties and obligations as on the closing hours of business on 31st March, 2007, whether or not provided in the books of the Demerged Company in respect of any of the Demerged Undertakings, and all debts, liabilities and 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 and loans raised and used, liabilities and obligations incurred, duties and obligations of the relevant Resulting Company to which that Demerged Undertaking is transferred.
- (b) All assets and properties comprised in any of the Demerged Undertakings 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 any of the Demerged Undertakings, on or after the Appointed Date, in accordance with this Scheme, shall be deemed to be the assets and properties of the relevant Resulting Company to which that Demerged Undertaking is transferred.
- (c) The advance income tax paid by the Demerged Company to the tax authorities shall be allocated amongst the Demerged Company and the Resulting Companies in proportion to the taxes (net of tax deducted at source) attributable to the taxable income of the relevant Demerged Undertaking in the books of accounts of the Demerged Company

8. Employees

- (a) Upon the coming into effect of this Scheme, all employees, consultants and advisors whether full time or part time or on retainer of the Demerged Company engaged in or in relation to the respective Demerged Undertakings 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 respective Resulting Companies, 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 Undertakings.
- (b) Insofar 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 each of the Demerged Undertakings 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 each Demerged Undertakings being transferred to the relevant Resulting Company in terms of sub clause (a) above shall be transferred to the relevant 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 relevant Resulting Company, either be continued as separate Funds of the Resulting Company for the benefit of the employees of the Demerged Undertakings or be transferred to and merged with other similar funds of the relevant Resulting Company. In the event that any Resulting Company does not have its own funds in respect of any of the above, such 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 Undertaking shall be transferred to the funds created by that Resulting Company. The Welfare Funds shall continue to be managed by the Demerged Company for the benefit of employees of the Demerged Company and the Resulting Companies.

9. Saving of Concluded Transactions

The transfer and vesting of the assets, liabilities and obligations of the Demerged Undertakings 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, each of the Resulting Companies accepts all acts, deeds and things done and executed by and/or on behalf of the Demerged Company in relation to the Demerged Undertaking which shall vest in that Resulting Company in terms of this Scheme of Arrangement as acts, deeds and things made, done and executed by and on behalf of that Resulting Company.

PART III

REMAINING UNDERTAKING

10. Remaining Undertaking to continue with Demerged Company

10.1 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 in relation to encumbrances in favour of banks and financial institutions).

- (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. None of the Resulting Companies shall in any 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 any of the Resulting Companies in respect of the matters referred to in sub- clause (a) above, the respective Resulting Company shall defend the same in accordance with the advice of the relevant Demerged Company and at the cost and risk of the relevant Demerged Company, and the latter shall reimburse and indemnify said Resulting Company against all liabilities and obligations incurred by Resulting Company in respect thereof. In respect of such defense, the Demerged Company shall extend full and timely cooperation, including providing requisite information, personnel and the like, so as to enable the Resulting Company to defend the same.

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

- (a) the Demerged Company shall carry on and shall be deemed to

- have been carrying on all business 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

The provisions of this Part IV shall operate notwithstanding anything to the contrary in this Scheme.

11. Reorganisation of share capital

11.1 Issue of shares by each Resulting Company

11.1.1 Resulting Company1

Upon this Scheme becoming effective, in consideration of the demerger including the transfer and vesting of the Manufacturing Undertaking of the Demerged Company to and in the Resulting Company1 pursuant to Part II of this Scheme, the Resulting Company1 shall, without any further application or deed, issue and allot an aggregate of 10,11,83,510 equity shares of Rs. 10/- each to the members of the Demerged Company holding equity shares in the Demerged Company and whose name appears in the Register of Members of the Demerged Company on the Record Date, his/her heirs, executors, administrators or successors-in-title, as the case may be, in the ratio of 1 (One) equity share in the Resulting Company1 of the face value of Rs.10/- (Rupees ten) each credited as fully paid-up for every 1 (One) equity share of Rs.10/- each fully paid-up held by each such member or his/her/its heirs, executors, administrators or successors in the Demerged Company (“**Resulting Company1 Share Entitlement Ratio**”).

11.1.2 Resulting Company2

Upon this Scheme becoming effective, in consideration of the demerger including the transfer and vesting of the Strategic Business Undertaking of the Demerged Company to and in the Resulting Company2 pursuant to Part II of this Scheme, the Resulting Company2 shall, without any further application or deed, issue and allot an aggregate of 10,11,83,510 equity shares of Rs. 5/- each to the members of the Demerged Company holding equity shares in the Demerged Company and whose name appears in the Register of Members of the Demerged Company on the Record Date, his/her heirs, executors, administrators or successors-in-title, as the case may be, in the ratio of 1 (One) equity shares in the Resulting Company2 of the face value of Rs.5/- (Rupees five) each credited as fully paid-up for every 1 (One) equity share of Rs.10/- each fully paid-up held by each such member or his/her/its heirs, executors, administrators or successors in the Demerged Company (“**Resulting Company2 Share Entitlement Ratio**”).

- 11.2 (a) Pursuant to the provisions of Clause 11.1 above, each of the Resulting Companies shall issue to the Depository representing the holders of GDRs of the Demerged Company, shares of the Resulting Companies in accordance with the relevant Share Entitlement Ratio. Subject to Clause (b) below, the Depository of the Demerged Company shall hold such shares of the Resulting Companies on behalf of the

holders of GDRs of the Demerged Company;

- (b) (i) Each of the Resulting Companies may, on or before expiry of 150 (One hundred and fifty) days from the Record Date, in consultation with the Depository for the GDR holders of the Demerged Company and by entering into appropriate agreements with the said Depository or any other Depository (appointed by the Resulting Companies) for the issuance of GDRs, instruct such Depository to issue GDRs of the Resulting Companies, or any of them, to the holders of GDRs of the Demerged Company and any such issue of GDRs shall be irrevocably put in motion within the said period.
- (ii) Any holder of GDRs of the Demerged Company may at any time after the Record Date, but prior to the issuance of GDRs by a Resulting Company, instruct the Depository to transfer the underlying shares of such Resulting Company to such GDR holder. In such a case, the relevant Resulting Company shall obtain such permissions as may be necessary.
- (c) The holders of GDRs of the Demerged Company who wish to directly receive shares of the Resulting Companies may surrender the GDRs of the Demerged Company held by them before the Record Date in exchange for shares of the Demerged Company. Such GDR holders holding shares of the Demerged Company on the Record Date shall then be entitled to receive shares of Resulting Companies in accordance with the Share Entitlement Ratio under Clause 11.1 above.
- (d) The Resulting Companies shall use its reasonable endeavours to list the GDRs on the London Stock Exchange subject to the applicable regulations or law, and the Resulting Companies shall take such additional steps and do all such acts, deeds and things, as may be necessary for the purposes of listing.

11.3 Other terms applicable to issue of the equity shares

- 11.3.1 The equity shares to be issued by each of the Resulting Companies pursuant to Clause 11.1 above shall be issued in dematerialized form by each of the Resulting Companies, unless otherwise notified in writing by the shareholders of the Demerged Company to the relevant 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 any of the Resulting Companies 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 Companies 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 Companies, then the Resulting Companies shall issue equity shares in physical form to such member or members.
- 11.3.2 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 the Resulting Companies issued by the Resulting Companies after the effectiveness of this Scheme.

11.3.3 The new equity shares issued and allotted by the Resulting Companies in terms of this Scheme shall be subject to the provisions of the Memorandum and Articles of Association of the respective Resulting Company and shall *inter-se* rank *pari passu* in all respects.

11.3.4 Equity shares of the Resulting Companies issued in terms of Clause 11.1 of this Scheme will be listed and/or admitted to trading on the National Stock Exchange and the Bombay Stock Exchange, 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 Companies shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said Stock Exchanges. On such formalities being fulfilled, the said Stock exchanges shall list and /or admit such equity shares also for the purpose of trading. The Equity shares allotted pursuant to this Scheme shall remain frozen in the depositories system till listing / trading permission is given.

11.3.5 For the purpose of issue of equity shares to the shareholders of the Demerged Company, the Resulting Companies 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 Companies of such equity shares.

11.3.6 The equity shares to be issued by the Resulting Companies 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 Companies.

11.3.7 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 relevant Resulting Company, issuance of equity shares in terms of Clause 11.1 above shall be done within 45 days from the Effective Date.

11.3.8 (a) The cost of acquisition of the shares of each of the Resulting Companies 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 net book value of the assets transferred in the demerger to the relevant Resulting Company bears to the net worth of the Demerged Company immediately before the demerger hereunder.

(b) The period for which the shares in Demerged Company were held by the shareholders shall be included in determining the period for which the shares in the Resulting Companies have been held by the respective shareholder.

12. Increase in share capital

12.1 Upon this Scheme becoming effective and after the allotment of the new equity shares by the Resulting Companies, the issued, subscribed and paid-up capital of each Resulting Company shall, assuming full allotment of shares referred to in Clause 11.1 shall be as follows:

(a) the issued, subscribed and paid-up capital of the Resulting Company1 shall stand increased to Rs. 144,68,35,100 (Rupees One hundred forty four crores sixty eight lakhs thirty five thousand one hundred only) divided into 14,46,83,510 (fourteen crores forty six lakhs eighty three thousand five hundred ten only) Equity Shares of Rs.10/- (Rupees ten only) each fully paid-up; and

(b) the issued, subscribed and paid-up capital of the Resulting Company2 shall stand increased to Rs. 72,34,17,550 (Rupees Seventy two crores thirty four lakhs seventeen thousand five hundred and fifty only) divided into 14,46,83,510 (fourteen crores forty six lakhs eighty three thousand five hundred ten only) Equity Shares of Rs. 5 (Rupees five only) each fully paid-up.

PART V

ACCOUNTING TREATMENT

13. Accounting by the Demerged Company and the Resulting Companies 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 respective Resulting Companies shall be at values appearing in the books of accounts of the Demerged Company on the closing hours of business on March 31, 2007.

(b) The difference between the value of assets and value of liabilities transferred pursuant to the Scheme shall be reduced from the Capital Redemption reserve and balance, if any, will be reduced from the General Reserve of the Demerged Company.

(c) The reduction, if any, in the Capital Redemption Reserve and General Reserve of the Demerged Company shall be effected as an integral part of the Scheme.

(d) Any mark-to-market diminution in value of Fixed Income Securities may be provided for by way of a debit to the General Reserve.

13.2 In the Books of the Resulting Companies

(a) Upon coming into effect of this Scheme and upon the arrangement becoming operative, the respective Resulting Companies shall record the assets and liabilities comprised in the respective Demerged Undertakings transferred to and vested in them pursuant to this Scheme, at the same value appearing in the books of Demerged Company on the closing hours of business on March 31, 2007.

(b) The respective Resulting Companies 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 11.1 of this Scheme.

(c) The excess or deficit, if any, remaining after recording the aforesaid entries shall be credited by the respective Resulting Companies to their respective General Reserve Account or debited to goodwill, as the case may be. General Reserve

created, if any, shall be treated, for all purposes, as free reserve.

- (d) Subject to (a) above, any mark-to-market diminution in value of Fixed Income Securities may be provided for by way of a debit to the General Reserve.

PART VI

GENERAL TERMS AND CONDITIONS

14. Change in Names and Object Clauses

14.1 Upon the Scheme becoming effective, without any further act or deed, the Resulting Company1 shall be re-named as Bajaj Auto Ltd. while the Demerged Company shall be re-named as Bajaj Holdings and Investment Ltd. The Demerged Company shall also comply with the requirement of change in name in the share certificates of the Demerged Company held in physical form.

14.2 (a) Upon the Scheme becoming effective, the Memorandum of Association of the Resulting Company1 shall stand altered without any further act or deed and clauses 67 to 69 of the Other objects of the Resulting Company1 shall be inserted as clauses 1A, 1B & 1C in the main objects of the Memorandum of Association of Resulting Company1.

(b) Upon the Scheme becoming effective, the Memorandum of Association of the Resulting Company2 shall stand altered without any further act or deed and clause 60 and 97 of the Other objects of the Resulting Company2 shall be inserted as clauses 2A and 2B respectively, in the main objects of the Memorandum of Association of Resulting Company2.

15. Dividends

(a) The Demerged Company and each 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, provided that the shareholders of the Demerged Company shall not be entitled to dividend, if any, declared and paid by a Resulting Company to its shareholders for the accounting period prior to the Appointed Date.

(b) The holders of the shares of the Demerged Company and the Resulting Companies 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 Companies to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the respective Boards of Directors of the Demerged Company and the Resulting Companies and subject to the approval of the shareholders of the Demerged Company and the Resulting Companies respectively.

16. Agreements

The Resulting Companies will have the right to use the trademark

'BAJAJ' owned by the Demerged Company and suitable agreements will be entered into in this regard.

17. Approvals

Each of the Resulting Companies 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 Companies may require to own the Demerged Undertakings and carry on the business of the Manufacturing Undertaking and the business of the Strategic Business Undertaking, respectively.

18. Filing of Applications

The Demerged Company and each 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 to 394 of the Act and each of them shall apply for all necessary approvals as may be required under law.

19. Modification of Scheme

(a) The Demerged Company and each of the Resulting Companies by their respective Boards of Directors 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 or any authorities under law may deem fit to approve of or impose and which the Demerged Company and each of the Resulting Companies may in their discretion accept as the Demerged Company and each of the Resulting Companies 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 each of the Resulting Companies by their respective Boards of Directors or Delegate are hereby authorised 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. The Board of the Demerged Company or the authorized Delegate shall fix the Record Date for purposes of allotment of shares hereunder in compliance with applicable law. In the event that any conditions may be imposed by the High Court or any authorities, which the Demerged Company or any of the Resulting Companies find unacceptable for any reason, then Demerged Company and the Resulting Companies shall be at liberty to withdraw the Scheme. The aforesaid powers of the Demerged Company and the Resulting Companies 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 of the Demerged Company and the Resulting Companies 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).

20. Scheme Conditional Upon:

20.1 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 Companies as required under the Act and the requisite orders of the High Court referred to in Clause 18 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, Pune.

20.2 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 Companies, 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 a case, each Company shall bear its own costs, charges and expenses or shall bear costs, charges and expenses as may be mutually agreed.

21. Indemnity

In the event of non-fulfillment of any or all obligations under this Scheme by any party towards any other party, inter-se or to third parties, the non-performance of which will place any other party under any obligation, then the defaulting party will indemnify all costs and interest to such other affected party.

22. Costs, Charges, etc.

All costs, charges, levies and expenses (including stamp duty) in relation to or in connection with or incidental to this Scheme or the implementation thereof shall be borne and paid for by the Demerged

ANNEXURE 2

Capital Structure and Shareholding Pattern pre & post the demerger of the Applicant Company.

The pre-restructuring shareholding pattern of the Applicant Company as of 30th June 2007 is as under:

SN	Description	Shareholding Pre-restructuring	
		Equity Shares(nos. in '000s)	%
A	Promoter and Promoter Group	30,465	30.11
B	Public	70,718	69.89
	Total	101,183	100.00

The estimated post- restructuring shareholding pattern (based on the share holding pattern as on 30th June 2007) of the Applicant Company is as under:

SN	Description	Shareholding Pre-restructuring	
		Equity Shares(nos. in '000s)	%
A	Promoter and Promoter Group	30,465	30.11
B	Public	70,718	69.89
	Total	101,183	100.00

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY ORDINARY ORIGINAL
CIVIL JURISDICTION COMPANY APPLICATION NO. 715 OF 2007**

In the matter of Sections 391 to 394 of the Companies Act, 1956;

And

In the matter of the Scheme of Arrangement between Bajaj Auto Limited, Bajaj Holdings & Investment Limited and Bajaj Finserv Limited and their respective shareholders and creditors;

And

In the matter of Bajaj Auto Limited, a company incorporated under the Indian Companies Act, 1913, and having its registered office at Mumbai-Pune Road, Akurdi, Pune 411035;

Bajaj Auto Limited, a company incorporated)	
under the Indian Companies Act, 1913, and having its)	
registered office at Mumbai-Pune Road,)	
Akurdi, Pune 411035.)	
	}Applicant Company

UNSECURED CREDITORS

FORM OF PROXY

I/We, the undersigned being the Unsecured Creditor(s) of Bajaj Auto Limited do hereby appoint _____ of _____ and failing him/her _____ of _____ as my/our proxy to act for me/us at the Court Convened Meeting of the Unsecured Creditors of Bajaj Auto Limited to be held at the registered office of Bajaj Auto Limited, at Mumbai-Pune Road, Akurdi, Pune 411 035, on Saturday, the 18th of August, 2007 at 01.30 p.m. for the purpose of considering, and if thought fit, approving with or without modification, the arrangement embodied in the Scheme of Arrangement between Bajaj Auto Limited (“**Applicant Company**”), Bajaj Holdings & Investment Limited and Bajaj Finserv Limited (collectively “**Resulting Companies**”) and their respective shareholders and creditors and at such meeting and at any adjournment or adjournments 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 out the words below after “Scheme Of Arrangement”) the said arrangement embodied in the Scheme of Arrangement *either with or without modifications**, as my / our proxy may approve.

**Strike out what is not necessary*

Dated this _____ day of _____ 2007

Name: _____

Address: _____

Affix Re.1/- Revenue Stamp

Signature across the stamp

NOTES:

1. Alterations, if any, made in the Form of Proxy should be initialled.
2. Proxy must be deposited at the Registered office of the Applicant Company, not later than FORTY EIGHT hours before the time scheduled / fixed for the said meeting.
3. In case of multiple proxies, the proxy later in time shall be considered.

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY ORDINARY ORIGINAL
CIVIL JURISDICTION COMPANY APPLICATION NO. 715 OF 2007**

Bajaj Auto Limited
Registered Office: Mumbai Pune Road, Akurdi , Pune ,411 035, Maharashtra

UNSECURED CREDITORS

ATTENDANCE SLIP

**PLEASE FILL THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF
THE MEETING HALL**

**COURT CONVENED MEETING OF THE UNSECURED CREDITORS
ON SATURDAY, 18TH AUGUST, 2007 AT 01:30 P. M.**

NAME AND ADDRESS OF THE UNSECURED CREDITOR(S)/PROXY HOLDER (in block letters)

I hereby record my presence at the meeting, convened pursuant to the Order dated 6th day of July 2007 of the Hon'ble High Court of Judicature at Bombay of the Unsecured Creditors of the Company on Saturday, 18th August 2007 at Mumbai-Pune Road, Akurdi , Pune ,411 035.

Signature of the Unsecured Creditor or proxy: _____

Notes:

1. Unsecured creditors are requested to bring the Attendance Slip with them when they come to the meeting and hand it over at the gate after fixing their signature on it.
2. Unsecured Creditors who come to attend the meeting are requested to bring with them copy of the Scheme of Arrangement.

Book - Post
(under certificate of posting)

If undelivered, please return to :
Bajaj Auto Limited
Shares Department
Mumbai-Pune Road, Akurdi, Pune - 411 035.