

IN THE HIGH COURT OF JUDICATURE:ANDHRA PRADESH AT HYDERABAD
(ORDINARY ORIGINAL/CIVIL JURISDICTION)

MONDAY THE TWENTY NINETH DAY OF NOVEMBER
ONE THOUSAND NINE HUNDRED AND NINETY NINE

PRESENT:

THE HONOURABLE MR. JUSTICE A. GOPAL REDDY

COMPANY PETITION NOS.78 of 1999 and C.P. No.79/99

C.P. No.78/99 connected with C.A.No.198/99

IN THE MATTER OF THE COMPANIES ACT (1 OF 1956)

A N D

IN THE MATTER OF M/s. NAGARJUNA CONSTRUCTION COMPANY LIMITED

BETWEEN:

Nagarjuna Construction Company Limited
A Company incorporated under the Companies Act, 1956
and having its Regd. Office at 41, Nagarjuna Hills
Panjagutta, Hyderabad repled. by its
Managing Director A.A.V. Rama Raju

.. Petitioner

(Transferor Company)

Petition under Section 394 of the Companies Act
1956 r/w Rule 79 of the Companies (Court) Rules 1959
praying that this High Court may be pleased to order that
(a) the said scheme of arrangement may be sanctioned by the
Hon'ble Court so as to be binding on all the share holders
and creditors of the petitioner Company and on the
Transferee Company.

This petition coming on for orders, upon reading
the Judge's Summons and the affidavit dated 14.6.99 and filed
by A.A.V. Ranga Raju, Managing Director Petitioner Company
in support of this petition and the counter affidavit dated
9-9-1999 and filed by Mr. E. Selvaraj, Registrar of Companies
and upon hearing the arguments of Mr. S. Ravi, Advocate for the
Petitioner and Mr. B. Adinarayana Rao, Standing Counsel for
Central Government.

C.P. No.79 of 1999 connected with C.A.No.199/99:

IN THE MATTER OF THE COMPANIES ACT (1 of 1956)

AND

IN THE MATTER OF M/s. Priyadarsini Cement Limited

Between:

Priyadarsini Cement Limited
A Company incorporated under the Companies
Act, 1956 and having its Regd. Office
at 34, Srinagar Colony, Hyderabad-73
repled. by its Director

.. Petitioner

(Transferee Company)

Petition under Section 394 of the Companies Act
1956 r/w Rule 79 of the Companies (Court) Rules, 1959

contd...

praying that this High Court may be pleased to order that the said Scheme of arrangement may be sanctioned by the Hon'ble Court so as to be binding on all the share holders and creditors of the petitioner company and on the Transferor Company.

This petition coming on for orders, upon reading the Judge's Summons and the affidavit dated 14.6.99 and filed by Mr. N. Sujit Kumar Reddy, Executive Director in support of this petition of the petitioner company Counter affidavit dated 9.9.1999 and filed by E. Salvaraj, Registrar of Companies and upon hearing the arguments of Mr. S. Ravi, Advocate for the petitioner and of Mr. B. Adinarayana-Rao, Standing Counsel for Central Government.

The Court made the following ORDER:

Contd...

THE HON'BLE MR. JUSTICE A. GOPAL REDDY

C.P.Nos. 78 of 1999

And


C.P.No. 79 of 1999

:COMMON ORDER:

These company petitions under Sections under Sections 394 of the Companies Act, 1956 (for short 'the Act') read with Rule 79 of the Companies (Court) Rules, 1959 (for short 'the Rules') filed for sanction of the scheme of arrangement and binding on all the share holders and creditors of the petitioner-company and transferee companies.

C.P.No. 78 of 199 is filed by Nagarjuna Construction Company Limited (for short the 'Transferor Company'). C.P.No. 79 of 199 is filed by Priyadarshini Cement Limited (for short 'Transferee company').

The petitioners pray that the scheme of arrangement whereunder the entire cement division of the transferor company with all the assets and liabilities relating thereto is being transferred to the transferee company as a going concern on as is where is basis subject to such limitations and restrictions as set out in the scheme, marked as annexure to the petition from 10-04-1999 and to sanction the arrangement of the scheme between the transferor company and the transferee company by this court.



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The transferor company possess ~~the~~ authorised share capital of Rs.25,00,00,000-00 divided into 1,50,00,000-00 equity shares of Rs.10-00 each and 1,00,00,000 preference shares of Rs.10-00 each. The issued, subscribed and paid up capital is Rs.7,45,02,000-00 divided into 74,50,200 equity shares of Rs.10-00 each inclusive of Rs.20,69,500 equity shares on account of conversion less calls in arrears of Rs.15.90 lakhs. The calls in arrears is with respect to 3,53,284 equity shares and the call outstanding per share is Rs.4-50. The main objects of the transferor company is to acquire, purchase, amalgamate, take on lease or otherwise take over as a going concern, the undertaking now being carried in partnership, under the name and style of Nagarjuna Constructions Corporation along with all pending works, stocks in trade, rights, assets, receivables, bank limits, interest, goodwill, licences and privileges and all contractors, registrations, import licences, plant, machinery equipment together with all the liabilities due to all banks and other amounts due to trade creditors, depositors, bills payable etc., to carry on the said business along with other businesses more particularly detailed in the Articles of Association of the company. The transferee company authorised share capital is Rs.24,00,00,000-00 divided into 2,40,00,000 equity shares of Rs.10-00 each. The issued, subscribed and paid up capital is Rs.22,11,00,000-00 divided into 2,21,10,000 equity shares of Rs.10-00 each. The main objects of the transferee company is to produce, manufacture, purchase, refine, prepare, process, import,

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export, sell and generally to deal in cement, portland cement, alumina cement, white and coloured cement, lime and limestone, Kankar and or by-products thereof and building materials, generally non-ferrous metals, ferroalloys; and in connection therewith to acquire, erect, construct, establish, operate and maintain factories, mines and quarries, workshops and other works; and to produce, manufacture, process, refine, prepare, treat, purchase, sell, export, import or otherwise deal with either as principals or as agents, either solely or in partnership with others, cement, alumina cement, white and coloured cements, lime, plaster of paris, and other building material of all kinds, and other building boards to be used in ceiling, floor or walls, made from any fibrous materials such as bagasse, bamboo, wood, paper, jute, hemp and grasses, pottery, fire clay and fire bricks, flooring tiles, roofing materials etc.; and to carry on all or any of the business of manufactures and sellers of and dealers and workers in cement of all kinds, concrete, asbestos, earthen-ware, artificial stone and manufacturers and dyers' requisites and conveniences of all kinds; and to purchase, take on lease, or otherwise acquire any undertaking, business and property or any part thereof of any company or companies carrying on business as manufacturers of cement and mineral industries in India or elsewhere etc., as detailed in the articles of the association of the company.

It is stated that the transferor company is doing very good business; whereas the transferor company has varied business such as



construction, cement manufacture, real estate, wind power generation and manufacture of LPG cylinders, that as a part of its strategic business restructuring, the Transferor company has decided to concentrate on its core competence i.e., construction business and decided to hife off its cement division consisting of cement manufacturing unit at NCC Nagar, Peapully Mandal, Kurnool district in the state of Andhra Pradesh, that the transferee company is engaged in the business of manufacture of cement and has its manufacturing plant at Ramapuram village, Mellacheruvu Mandal, Nalgonda district in the State of Andhra Pradesh and decided to augument its manufacturing capacity with a view to increase and consolidate its market share in view of the large scale manufacturers trying to elbow out the small players. In the interest of both the transferor and transferee companies, they have agreed for transfer of cement division and acquisition of cement plant helps the transferee company in consolidating its position as a major player in manufacture of cement in the State of Andhra Pradesh. The proposed arrangement to transfer the cement division to the transferee company results in synergy of operations for both the transferee company and transferor company. The transferor company also stands to gain as it would be able to concentrate all its managerial, technical skills on the construction projects where it has built up experience and reputation. The hiving off of the cement division also releases much required finances and personnel who could be deployed in other sectors where the transferor company has sizeable presence. The transferee company also benefits



as it can avoid long gestation period involved in building a cement plant by acquired a cement manufacturing plant which is already in operation; and the acquisition of the cement plant also helps the transferee company in consolidating its position as a major player in manufacture of cement in the state of Andhra Pradesh. For the aforesaid reasons, the scheme of the arrangement has been prepared for the benefit of both the companies.

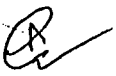
As per the proposed scheme set out in para-11 of C.P.No. 78 of 1999, the entire cement division of the transferor company stands transferred to and vested in and / or deemed to be transferred to and vested in the transferee company as a going concern free from all encumbrances but subject to the subsisting charges /hypothecation/mortgage etc., assets, debts, liabilities, contingent liabilities, duties and obligations, of the transferor company appertaining only to cement division as on the close of business on 10th day of April, 1999 shall also transferred to the transferee company, which shall undertake all the liabilities, debts, including charges claimed and the mortgage of transferor company existed on the cement division as on the date of transfer. All the agreements entered into by the transferor company with the bankers, trade unions, distributors, stockists, agents etc., if any relating to cement division shall continue to be in full force and effect and may be enforced by or against the transferee company. All the employees of the transferor company engaged in and for the business of the cement division of the

transferor company on the effective date shall become the employees of the transferee company without any break or interruption in service and on the same terms and conditions on which they are engaged as on the effective date. Services of all such employees with the transferor company upto the effective date shall be taken into account for the purposes of all retirement benefits to which they may be eligible in the transferee company on the effective date. The transferee company further agrees that for the purpose of payment of any retrenchment compensation, such past services with the transferor company shall also be taken into account. From the date of transfer, the Transferor Company shall be deemed to have carried on and to be carrying on its business on behalf of and in trust for the transferee company until such time as the amalgamation becomes effective in terms of the scheme. All the profits, if any, of the business of the cement division carried out by the transferor company from and after the transfer date upto the effective date for and on account of and in trust of the transferee company shall be accounted for by the transferee company as 'pre-acquisition profits' and the losses, if any, shall be accounted for as 'pre-acquisition losses'. Such pre-acquisition profits shall be credited to the general reserve of the transferee company whereas the pre-acquisition losses shall be reduced from the general reserve of the transferee company, whether such reserve is pre-existing or is created as a result of or in pursuance of the scheme. The transferee company shall record the assets and liabilities in the books of account of the transferor company, being the



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assets and liabilities pertaining to the cement division of the transferor company and transferred to and vested in the transferee company pursuant to the scheme.

It is a matter of record that in C.A.No.198 of 1999, the High Court had directed the meeting of equity shareholders for approval of the scheme as required under Section 394 of the Act with a form of proxy. Notice of the meeting was sent to the individual creditors of the transferor company with a copy of the scheme. Notice of the meeting was also advertised on 28th day of April, 1999. On 27th day of May, 1999, the meeting of the share holders of the company was duly convened at Harihara Kala Bhavan, Secunderabad by Mr. R. Raghunandan Rao, the person appointed by this Court to act as Chairman of the meeting. The chairperson also submitted a report on the 04th day of June, 1999 stating that the members, who have voted in favour of proposed terms of arrangement is 21,64,936; and only 1,058 members voted against the proposed arrangement. Similarly in C.A.No. 199 of 1999, the High Court directed Mr. A. Sanjay Kishore, the person appointed as Chairman to convene the meeting of the equity share holders of transferee company for approval of the scheme of arrangement. Notice of the meeting was served individually upon the shareholders with a copy of the scheme and by advertisement dated 28th day of April, 1999; and the meeting was held on 27th day of May, 1999 at 4-30 P.M. at Harihara Kala Bhavan, Secundeurabad. Mr. A. Snjay Kishore, the Chairperson has submitted his report dated



07th day of June, 1999, in which, it is submitted that 98,38,420 equity share holders have voted in favour of the proposed terms of arrangement; whereas 100 equity share holders have voted against the proposed arrangement. The notice of hearing of the petitions were advertised in the daily newspapers as per the orders of this court dated 17-06-1999. No objections from any quarter have been received. Notice was given to the official liquidator and also to the registrar of companies on 06-08-1999. The Official liquidator has not filed his report. The Registrar of companies filed counter dated 09-09-1999 pursuant to the notice received by the Regional Director, Department of Company Affairs in the above company petitions under Section 394-A of the Act and have decided that "No representation need be filed on behalf of the Central Government either to support or oppose the petition." Similarly, another counter has been filed in C.P.No. 79 of 1999. Thus, it can be safely inferred that the Registrar of Companies has no objection for the scheme of the arrangement.

Considering all the relevant facts and circumstances and the reasons set out by the petitioners in support of the amalgamation, the unanimous approval given by the members and the no objection given by the creditors and particularly in the absence of objections from any party, including the Central Government and the Official Liquidator, I reach the conclusion that the scheme of arrangement between the transferor company and transferee company is beneficial and there is no impediment in sanctioning the scheme of arrangement. Therefore,



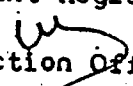
I hereby accord consent to the scheme of arrangement providing for transfer of entire cement division of the transferor company with all assets and liabilities relating thereto, to the transferee company and declare that the said scheme shall be binding on all the members of the petitioners-companies with effect from 10-4-1999. I also direct that the transferor company shall seized to have any control over the cement division, which is transferred to the transferee company. The order in Form No.41 of the Companies (Court) Rules shall be drawn up by the Registry and the petitioners shall file certified copy of the order with the Registrar of Companies within 30 (thirty) days from the date of the order. The order in Form No. 42 of the Companies (Court) Rules with such adaptations as may be necessary shall also be drawn up by the Registry. For the proper working and implementation of the scheme, it is open to any person interest^{ed} to move this court for appropriate directions as may be considered necessary in future. It is made clear that by sanctioning the scheme, this Court shall not be understood as having dispensed with the need to obtain any approval or sanction enjoined by the law or absolved the companies of the obligation to discharge any statutory dues or to perform any statutory duties.

The company petitions are accordingly allowed.

Sd/- S. Subbalakshmi
Joint Registrar

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To


Section Officer

1. Mr. A.V.S.Ranga Raju, Managing Director, Nagarjuna Construction Company Ltd., 41, Nagarjuna Hills, Panjagutta, Hyderabad.
2. Mr. N.Sujit Kumar Reddy, Executive Director, Priyadarsini Cement Limited, 34, Srinagar Colony, Panjagutta, Hyderabad.

3. The Registrar of Companies, 3-5-398, CPWD Building, Kendriya Sadan, Sultan Bazaar, Koti, Hyderabad.
4. The Official Liquidator, Kendriya Sadan, 3-5-398, CPWD Building, Sultan Bazar, Koti, Hyderabad.
5. One cc to S.O., O.S. Section, High Court of A.P., Hyd.
6. Two C.D. Copies
7. The Regional Director, Company Law Board, Southern Region, Chennai.
8. One cc to Mr. S. Ravi, Advocate (OPUC)

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IN THE HIGH COURT OF JUDICATURE: ANDHRA PRADESH AT HYDERABAD
(ORDINARY ORIGINAL/CIVIL JURISDICTION)

MONDAY THE TWENTY NINETH DAY OF NOVEMBER
ONE THOUSAND NINE HUNDRED AND NINETY NINE

PRESENT:

THE HONOURABLE MR. JUSTICE A. GOPAL REDDY

COMPANY PETITION NO. 79 OF 1999—

— CONNECTED WITH COMPANY APPLICATION NO. 199 OF 1999

IN THE MATTER OF THE COMPANIES ACT (1 OF 1956)

AND

IN THE MATTER OF M/s. PRIYADARSINI CEMENT LIMITED

BETWEEN:

Priyadarsini Cement Ltd., A Company Incorporated
under the Companies Act, 1956 and having its
Regd. Office at 34, Srinagar Colony
Hyderabad-073 repled. by its Director.

.. Petitioner (Transferor Company)

Petition under Section 394 of the Companies Act 1956
r/w Rule 79 of the Companies (Court) Rules 1959 to sanction
the scheme of arrangement praying that this High Court may be
pleased to order that the said scheme of arrangement may
sanctioned by the Hon'ble Court so as to be binding on all the
share holders and creditors of the petitioner company and on
the Transferor Company.

This petition coming on for orders, upon reading the
Judge's Summons and the affidavit dated 14.6.99 and filed by
Mr. N. Sujit Kumar Reddy, Executive Director of the Petr. Company
in support of this petition and the Counter affidavit dated
9.9.1999 filed by Mr. E. Selvaraj, Registrar of Companies
and upon hearing the arguments of Mr. S. Ravi, Advocate for
the petitioner and of Mr. B. Adinarayana Rao, Standing Counsel
for Central Government.

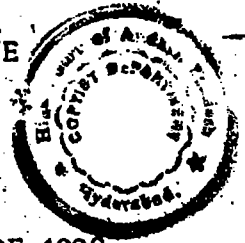
THE COURT DOETH ORDER AS FOLLOWS:

1. That this Court doeth hereby sanction the Scheme of
arrangement of amalgamation with effect from 10.4.99 and doeth
hereby declare the same to be binding on the transferor Company
and the Transferee Company.

2. That all the property, rights and powers of the
transferor company specified in the scheme of amalgamation
annexed here-to and all the ~~property~~ other property, rights
and powers of the Transferor company be transferred without
further act or deed to the transferee company and accordingly
the same shall pursuant to the section 394 (2) of the
Companies Act, 1956 be transferred to and vest in the transferee
company for all estate and interest of the transferor company
therein but subject nevertheless to all charges now effecting
the same; and

3. That all the liabilities and duties of the transfer
company be transferred without further act of deed to the
transferee company and accordingly the same shall, pursuant
to ~~section~~ section 394 (2) of the Companies Act, 1956 be transferred
to and become the liabilities and duties of the transferee
company, and

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4. That all proceedings now pending by or against transferor company be continued by or against the transferee company, and

5. That the transferee Company do without further application allot to such members of the transferor company as have not given such notice of dissent as required by the compromise or arrangement herein the shares in the transferee company to which they are entitled under the said compromise, or arrangement and

6. That the transferor company do within 30 days after the date of this order cause a certified copy of this order to be delivered to the Registrar of Companies for registration and on such certified copy being so delivered, the transferor company shall stand dissolved and the Registrar of Companies shall place all documents relating to the transferor company and registered with him on the file kept by him in relation to the transferee company and the files relating to the said two companies shall be consolidated accordingly;

7. That any person interested shall be at liberty to apply to this Court for any directions that may be necessary in regard to the working of the * scheme.

8. That there be no order as to costs in both the Company petitions.

Sd/- S.Subbalakshmi
Joint Registrar

//True Copy//

Section Officer

**SUPERINTENDENT
COPYIST DEPARTMENT
HIGH COURT OF A.P.
HYDERABAD**

M. N. Sujit Kumar Reddy, Executive Director, M/s. Priyadarshini Cement Ltd., 34, Spinagar Colony, Hyderabad - 500 073.

2. The Registrar of Companies, 3-5-398, CPWD Building, Kendriya Sadan, Sultan Bazaar, Koti, Hyderabad.

3. The Official Liquidator, Kendriya Sadan, 3-5-398, CPWD Building, Sultan Bazaar, Koti, Hyderabad.

4. One cc to S.O., O.S. Section, High Court of A.P., Hyd.

5. 2 C.D.copies

6. cc to S.O., C.O. Section (For Precedent file)

Encl:

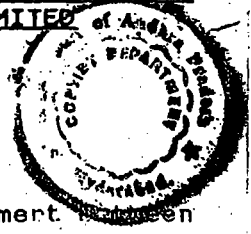
1. Scheme of Amalgamation

2. Chairman's Report

3. Schedule

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THE SCHEME OF ARRANGEMENT BETWEEN NAGARJUNA CONSTRUCTION COMPANY LIMITED AND PRIYADARSHINI CEMENT LIMITED



PART I

DEFINITIONS :

1. 'The Scheme' means the Scheme of Arrangement between Nagarjuna Construction Company Limited and Priyadarshini Cement Limited.
2. 'The Transferor Company' means Nagarjuna Construction Company Limited, a company incorporated under the provisions of the Companies Act, 1956 and having its registered office at 41, Nagarjuna Hills, Panjagutta, Hyderabad - 500 082.
3. 'The Transferee Company' means Priyadarshini Cement Limited, a company incorporated under the provisions of the Companies Act, 1956 and having its registered office at 34, Srinagar Colony, Hyderabad - 500 034.
4. 'Transfer Date' means 10.04.99.
5. 'Effective Date' for the Scheme of Arrangement means the date on which the orders of the Hon'ble High Court of Andhra Pradesh approving the Scheme of Arrangement under the provisions of Sections 391 and 394 of the Companies Act, 1956 and other related provisions are passed, and the certified copies thereof are filed with the Registrar of Companies, Andhra Pradesh.
6. 'The Cement Division' of the Transferor Company shall mean the Cement Division located at NCC Nagar, Peapully Mandal, Kurnool District, Andhra Pradesh State and shall include

(i) All the properties, assets and liabilities of the

FOR PRIYADARSHINI CEMENT LIMITED

[Signature]
M. SURESH KUMAR REDDI
DIRECTOR



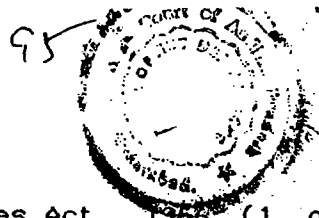
Cement Division comprising of the cement manufacturing unit at NCC Nagar, Peapully Mandal, Kurnool District as a going concern, on as is where is basis.

(ii) Without prejudice to the generality of the foregoing clause, the said Cement Division shall include all rights, powers, interests, authorities, privileges, liberties and all properties and assets movable or immovable, tangibles and intangibles of whatsoever nature and wherever situate including lease, tenancy and agency rights and all other interest and rights in or arising out of such property, all licences, benefits of all agreements and contracts, sanctions and approvals including benefits of all tax reliefs including reliefs under the Income Tax Act, Sales Tax Act, Sales Tax incentives under schemes of the Government of Andhra Pradesh, import entitlements and other quotas, if any, held, applied for or as may be obtained hereafter by the Cement Division of the Transferor Company or which the Cement Division of the Transferor Company is entitled to and all debts, liabilities and duties and obligations of the Cement Division of the Transferor Company to the creditors and the shareholders, provided that transfer of all leases and tenancies shall be subject to approval fo the respective landlords wherever required in terms of the lease or the tenancy laws.

7. 'Takeover Balance Sheet' shall mean the Balance Sheet showing the assets and the liabilities of the Cement Division of the Transferor Company as on 10.04.99.

FOR PRIYADARSHINI CEMENT LIMITED

[Signature]
N. SUJITH KUMAR REDDI
EXECUTIVE DIRECTOR



8. 'The Act' means the Companies Act, 1956 (1 of 1956).

PART II

1. The registered office of the Transferor Company is situated at 41, Nagarjuna Hills, Panjagutta, Hyderabad-500 082.

2. The registered office of the Transferee Company is situated at 34, Srinagar Colony, Hyderabad-500 034.

3. The authorised share capital of the Transferor Company is Rs.25,00,00,000/- divided into 1,50,00,000 equity shares of Rs. 10/- each and 1,00,00,000 preference shares of Rs.10/- each. The issued, subscribed and paid up capital is Rs.7,45,02,000/- divided into 74,50,200 equity shares of Rs.10/- each inclusive of 20,69,500 equity shares on account of conversion less calls in arrears of Rs.15.90 lakhs. The calls in arrears is with respect to the 3,53,284 equity shares and the call outstanding per share is Rs. 4.50/- per share.

4. The authorised share capital of the Transferee Company is Rs.24,00,00,000/- divided into 2,40,00,000 equity shares of Rs.10/- each. The issued, subscribed and paid up capital is Rs.22,11,00,000/- divided into 2,21,10,000 equity shares of Rs.10/- each.

PART III

1. With effect from the Transfer Date:-

FOR PRAYAGARSHI CEMENT LIMITED

M. S. Srinivas Reddy
M. S. SRINIVAS REDDY
EXECUTIVE DIRECTOR



the entire Cement Division of Transferor Company shall, without any further act, instructions or deed be and the same shall stand transferred to and vested in and / or deemed to be transferred to and vested in the Transferee Company as a going concern free from all encumbrances but subject to the subsisting charges as mentioned hereinafter, pursuant to the provisions of Sections 391/394 and other relevant provisions of the Act. The transfer/vesting as aforesaid shall be subject to the existing charges / hypothecation / mortgages (if any, as may be subsisting and particulars whereof are registered or filed for registration with the Registrar of Companies as required under the Act) over or in respect of the said assets or any part thereof; provided, however, that any reference in any security documents or arrangements to which the Transferor Company is a party wherein the assets of the Transferor Company are offered as security for any financial assistance or obligations shall be construed as reference only to the assets pertaining to the Cement Division or assets of the Transferor Company as are vested in the Transferee Company to the end and intent that such security, mortgage and charge shall not extend or be deemed to extend to any of the assets or to any of the other assets, units, or divisions of the Transferee Company, unless specifically agreed to, subject in either case to the consents and approvals of the existing Secured Creditors of the Transferee Company.

FOR PRAYASARINI CEMENT

M. S. SURESH KUMAR
EXECUTIVE DIRECTOR



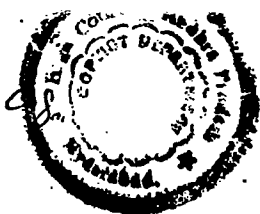
(b) the assets, debts, liabilities, contingent liabilities, duties and obligations, of the Transferor Company appertaining only to Cement Division as on the close of business on 10th day of April, 1999 shall also, without any further act, instrument or deed be and stand transferred to and vested in and / or deemed to be transferred to and vested in the Transferee Company pursuant to the provisions of Sections 391/394 of the Act so as to become as and from the Transfer Date the assets, debts, liabilities, duties and obligations of the Transferee Company and further that it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such assets, debts, liabilities, duties and obligations have arisen, in order to give effect to the provisions of this clause.

PROVIDED ALWAYS that the Scheme shall not operate to enlarge the security for any loan, deposit or facility created by or available to the Transferor Company which shall vest in the Transferee Company by virtue of the merger of Cement Division and the Transferee Company shall not be obliged to create any further or additional security therefor after the merger of Cement Division has become effective or otherwise.

(c) The Transferee Company may at any time after the coming into effect of this Scheme in accordance

FOR PRIZADARSHINI CEMENT LIMITED

Mh
M. SUDHAKAR REDDY
MANAGING DIRECTOR



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with the provisions hereof, if so required, under any law or otherwise, execute Deeds of Confirmation, in favour of the secured Creditors of the Transferor Company or in favour of any other party to any contract or arrangement to which the Transferor Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. The Transferee Company shall under the provisions of the Scheme be deemed to be authorised to execute any such writings on behalf of the Transferor Company and to implement or carry out all such formalities or compliance referred to above on the part of the Transferor Company to be carried out or performed.

IT IS HEREBY CLARIFIED THAT the remaining businesses of the Transferor Company shall continue to remain with and continues to be vested in the Transferor Company.

2. In consideration of the Transferee Company taking over the assets and liabilities as presented in the Takeover Balance Sheet, the Transferee Company shall pay a sum of Rs.3076.84 lakhs as consideration (the "Consideration") for the takeover of the Cement Division, the payment of which shall be in full and final settlement of all the assets, rights and interest of the Transferor Company. In view of the payment of consideration as aforesaid, the Transferee Company shall not be required to issue and allot any shares to either the Transferee Company or shareholders of the Transferor Company.

FOR PRAYAGARH CEMENT LIMITED

MK
M. SUDH KUMAR REDDY
EXECUTIVE DIRECTOR



3. With effect from the Transfer Date and ^{upto} and including the Effective Date:

(a) The Transferor Company shall be deemed to have been carrying on and shall carry on its business and activities of Cement Division and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all of the said assets for and on account of and in trust for the Transferee Company. The Transferor Company hereby undertakes to hold the said assets with utmost prudence until the Effective Date.

(b) All the profits or income accruing or arising to the Transferor Company or expenditure or losses arising or incurred or suffered by the Transferor Company pertaining to the Cement Division from the Transfer Date shall for all purposes be treated and be deemed to be and accrue as the income or profits or losses or expenditure as the case may be of the Transferee Company pertaining to the Cement Division.

(c) The Transferor Company shall carry on its business and activities of Cement Division with reasonable diligence, business prudence and shall not (without the prior written consent of the Transferee Company) alienate, charge, mortgage, encumber or otherwise deal with or dispose off its Cement Division or any part thereof.

(d) Without prejudice to the generality of the foregoing:

FOR PRIZADAGHINE CEMENT LIMITED


M. SUTH KIDAR REDDY



1) The Board of Directors of Transferor Company shall not pass any resolution or resolutions, which would adversely affect or in any manner jeopardise the approval of the Scheme of Arrangement by the High Court.

2) Transferor Company and Transferee Company shall not take any policy decision relating to the Cement Division which would affect the structure, or the business of the Cement Division.

3) No employee drawing a salary of over Rs. 1500 shall be either employed or be dismissed unless both Transferor Company and Transferee Company concur.

4) Transferor Company shall not take any of the following decisions in relation to the Cement Division unless Transferor Company and Transferee Company have consented to the same in writing i.e. to say

- i) Purchase of capital equipment over Rs. 10,000/-
- ii) Sale of capital equipment over Rs. 10,000/-
- iii) Incurring of any liability of over Rs. 10,000/-
- iv) Borrowing in excess of Rs. 1,000/-
- v) Giving guarantees in excess of Rs. 1,000/-
- vi) Investment in excess of Rs. 1,000/-
- vii) Commitment of the funds of the Cement Division in any manner.

and

viii) generally any policy decision as would result in the variation of the nature, character and value of the Cement Division.

For PRIZADARSHINI CEMENT LIMITED

N.R.
N. SURESH KUMAR REDDY
EXECUTIVE DIRECTOR



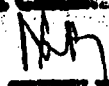
(e) The Transferor Company shall not alter the terms and conditions of employment of any of its employees engaged in and for the business of the Cement Division without the prior consent of the Transferee Company or pursuant to any preexisting obligation undertaken by the Transferor Company prior to the Transfer Date.

(f) The Transferor Company shall not utilise the profits, if any, relating to the Cement Division for any purpose including of declaring or paying any dividend in respect of the period falling on and after the Transfer Date. Similarly the Transferor Company shall not utilise, adjust or claim adjustment of the losses if any, relating to the Cement Division incurred or suffered after the Transfer Date for any business other than the Cement Division.

4. Subject to the provisions of the Scheme, all contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature relating to Cement Division to which the Transferor Company is a party, or to the benefit of which the Transferor Company may be eligible, and which are subsisting or operative or having effect immediately on or before the Effective Date, shall be in full force and effect against or in favour of the Transferee Company as the case may be and may be enforced as fully and effectively as if instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto.

5. The Transferor Company declares that save and

FOR PRIZADARSHINI CEMENTS LIMITED


N. SUSHIL KUMAR REDDY
EXECUTIVE DIRECTOR



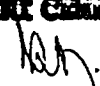
except as stated hereto there are no pending claims, demands, suits, actions and / or other proceedings against the Transferor Company relating to, in connection with and / or affecting the Cement Division.

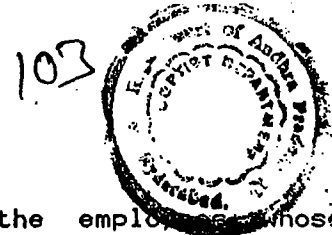
6. On this Scheme finally taking effect as hereinafter provided:

(a) all the employees of the Transferor Company engaged in and for the business of the Cement Division of the Transferor Company on the Effective Date shall become the employees of the Transferee Company without any break or interruption in service and on the same terms and conditions on which they are engaged as on the Effective Date. Services of all such employees with the Transferor Company upto the Effective Date shall be taken into account for purposes of all retirement benefits to which they may be eligible in the Transferee Company on the Effective Date. The Transferee Company further agrees that for the purpose of payment of any retrenchment compensation, such past services with the Transferor Company shall also be taken into account.

(b) the services of such employees shall not be treated as having been broken or interrupted for the purpose of provident fund or gratuity or superannuation or other statutory purposes and for all purposes will be reckoned from the date of their respective appointments by the Transferor Company.

For PRAYAGSHEER Cement Co. Ltd.


N. SUTH
EXECUTIVE DIRECTOR



(c) the accounts/funds of the employees whose services are transferred under Sub-Clause (a) above, relating to Superannuation, Provident Fund and Gratuity Funds shall be identified, determined and transferred to the respective Trusts/funds of and such employees shall be deemed to have become members of such Trusts / Funds of the Transferee Company.

(d) all agreements entered into by the Transferor Company with the bankers, trade unions, distributors, stockists, agents, etc., if any, relating to Cement Division shall continue to be in full force and effect and may be enforced by or against the Transferee Company.

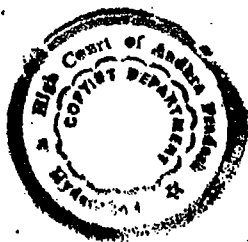
(e) all subsisting agreements / arrangements of relating to the use of trade marks (including logos) and / or technology relating to Cement Division and business, shall accrue to and for the benefit of the Transferee Company.

7. On the Scheme becoming effective:

(a) The Transferee Company shall record the Assets and Liabilities recorded in the books of account of the Transferor Company being Assets and Liabilities pertaining to the Cement Division of the Transferor Company and transferred to and vested in the Transferee Company pursuant to this Scheme, at their estimated market value as on the Transfer Date, after making all necessary provisions for any appreciation / increase or deficiency / diminution in the value of any Assets or

FOR PRIYADARSHINI CEMENTS LIMITED


N. SOUTER KIRAN REDDY
EXECUTIVE DIRECTOR



for the anticipated shortfall in realization of any Assets or for any contingent or other liability or obligation transferred to the Transferee Company in pursuance of the Scheme, but not provided for in full in the books of the Transferor Company.

PROVIDED that the profits, if any, of the business of the Cement Division carried out by the Transferor Company from and after the Transfer Date upto the Effective Date for and on account of and in trust of the Transferee Company shall be accounted for by the Transferee Company as "pre-acquisition profits" and the losses, if any shall be accounted for as "pre-acquisition losses". Such "pre-acquisition profits" shall be credited to the General Reserve of the Transferee Company whereas the "pre-acquisition losses" shall be reduced from the General Reserve of the Transferee Company, whether such Reserve is pre-existing or is created as a result of or in pursuance of this Scheme.

8. The Transferor Company, subject to Clause 5(e) hereof and the Transferee Company shall be entitled to declare and pay dividends, if any, to their respective shareholders for any Financial year or any period prior to the Effective Date.

9. The Transferor Company and the Transferee Company shall, with all reasonable despatch, make applications / petitions under Sections 391 and 394 and other applicable provisions of the Act, to the High Court of Judicature of

FOR PRIYADARSHINI CEMENT

[Signature]
N. SOJITH KUMAR REDDY
EXECUTIVE DIRECTOR



Andhra Pradesh at Hyderabad for seeking sanction of this Scheme of Arrangement.

10. The Transferor Company and the Transferee Company by their respective Board of Directors may consent to any modifications or amendments of this Scheme or to any conditions or limitations that the Court or any other authority may deem fit to impose as may be considered necessary, desirable and appropriate by them (i.e. the Board of Directors). The Transferor Company and the Transferee Company (by their respective Board of Directors) shall be authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions, whether by reason of any Order of the High Court or of any directive or order of any other authorities or otherwise howsoever, arising out of or under or by virtue of this Scheme and / or any matter concerned or connected therewith.

11. This Scheme is conditional on and subject to:

(a) approval of and agreement to this Scheme by the requisite majority of the respective members of and ~~persons~~ ~~of the Transferor Company and~~ ~~the Transferee Company as may be directed by the High~~ ~~Judicature of Andhra Pradesh at Hyderabad.~~

(b) sanctions and Orders under the provisions of Section 391 read with Section 394 of the Act being obtained by the Transferor Company and the Transferee Company from the High Court of Judicature of Andhra Pradesh at Hyderabad.

FOR PRYDARSHINI CEMENT LIMITED


N. SUTTA KUMAR REDDY
EXECUTIVE DIRECTOR



(c) all other sanctions and approvals as may be required by law in respect of this Scheme being obtained.

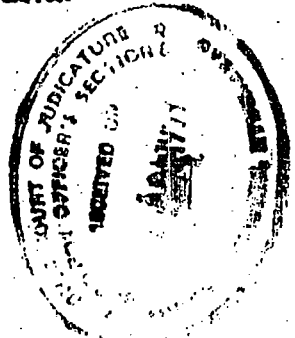
12. This Scheme, although operative from the Transfer Date shall take effect finally upon and from the date on which any of the aforesaid sanctions or approvals or Orders shall be last obtained which shall be the Effective Date for the purposes of this Scheme.

13. In case this Scheme is not sanctioned by the High Courts of Judicature of Andhra Pradesh at Hyderabad, or in the event any of the approvals or conditions enumerated in Clauses above are not being obtained or complied with, or for any other reason, this Scheme cannot be implemented, this Scheme shall become null and void, the parties shall be restitute and put the other in the same position as if this Scheme of Arrangement had not been put into operation at all and each party shall bear and pay their respective costs, charges and expenses in connection with the Scheme of Arrangement.

FOR PRAYADASHINI CEMENT LIMITED

M. S.
M. SUDHAKAR REDDY
EXECUTIVE DIRECTOR

[Signature]
SUPERINTENDENT
COPYIST DEPARTMENT
HIGH COURT OF A. P.
HYDERABAD
12/12/99



Dt. 29.11.99

JUDGMENT

CP. No. 78/99
and
CP. No. 79/99

Allowing Company petitions.

seen copy Application filed on 29/11/99
copy ready on 16/12/99
copy delivered on 16/12/99

16/12/99
Section Officer,
Current Section,
High Court of Andhra Pradesh,
Chandrababu Naidu
16/12