

SCHEME OF ARRANGEMENT

BETWEEN

MANIPAL INTEGRATED SERVICES PRIVATE LIMITED

AND

QUESS CORP LIMITED

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

(Under Sections 230 to 232 of the Companies Act, 2013 read with Sections 52 and 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013 (to the extent notified))



*Srinithy Nay*

## I. Preamble

This Scheme of Arrangement is entered into between Manipal Integrated Services Private Limited ("MIS") and Quess Corp Limited ("Quess") and their respective shareholders and creditors ("Scheme"), pursuant to the provisions of Sections 230 to 232 of the Act read with Sections 52 and 66 of the Act and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013 (to the extent notified).

## II. Description of Companies

1. MIS is a private limited company engaged, through itself and through its subsidiaries, in the following businesses: (i) provision of facility management services ("Facility Management Business"); (ii) provision of institutional catering services ("Catering Business"); (iii) provision of security services ("Security Business"); and (iv) provision of hostel related services ("Hostel Business"). The registered office of MIS is at tower B-1, 3rd floor, Golden Enclave Old Airport Road, Bangalore, Karnataka - 560017.

2. Quess is a public listed company engaged in the business of providing business related services organized under 4 (four) verticals namely: (i) global technology solutions, (ii) industrial asset management, (iii) integrated facility management, and (iv) people and services. The equity shares of Quess are listed and traded on the BSE Limited and the National Stock Exchange of India Limited. The registered office of Quess is at 3/3/2, Bellandur Gate, Sarjapur Main Road, Bangalore, Karnataka - 560103.

## III. Background and Rationale for the Scheme

1. It is proposed to transfer the Demerged Undertaking / Identified Business (more particularly defined hereinafter) of MIS into Quess, on the agreed terms and conditions as set out herein.
2. The management proposes to achieve the above pursuant to this Scheme under Sections 230 to 232 of the Act read with Sections 52 and 66 of the Act and other applicable provisions of the Companies Act, 1956 or the Act (to the extent notified), in the manner set out herein.
3. The proposed demerger would *inter alia* result in the following benefits:
  - (i) In case of MIS and its shareholders:
    1. Unlocking value for MIS in relation to the undertaking being demerged; and
    2. Pursue growth opportunities in line with its strategic directions.
  - (ii) In case of Quess:
    1. Strategic fit with Quess's integrated facility management business segment with expansion of operations and business on a pan India basis; and
    2. Gaining of strong operational capabilities in the niche and high growth verticals of



healthcare and education vertical facility management.

**IV. Parts of the Scheme**

The Scheme is divided into the following parts:

1. PART A - Definitions and Share Capital;
2. PART B - Transfer of Demerged Undertaking from MIS and its vesting in Quess for consideration and matters incidental thereto; and
3. PART C - General Terms and Conditions that would be applicable to the Scheme.

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



## PART A

### DEFINITIONS AND SHARE CAPITAL

#### 1. DEFINITIONS

In this Scheme, unless inconsistent with the subject, the following expressions shall have the meanings respectively assigned against them:

- 1.1. **"Act"** means the Companies Act, 2013 (to the extent of the sections thereof that have been brought into force) and shall include any statutory modification, re-enactment or amendments thereof for time to time.
- 1.2. **"Quest"** or **"Transferee Company"** or **"Resulting Company"** means Quest Corp Limited, a company incorporated under the Companies Act, 1956 and having its registered office at 3/3/2, Bellandur Gate, Sarjapur Main Road, Bangalore, Karnataka - 560 103.
- 1.3. **"Appointed Date"** means December 1, 2016 or such other date as may be approved by the Tribunal.
- 1.4. **"Board of Directors"** or **"Board"** means and includes the respective board of directors of MIS, or Quest, as the context may require, and shall include any committee constituted (if any) by such board of directors for the purposes of the Scheme.
- 1.5. **"Demerged Undertaking"** or **"Identified Business"** means the entire activities, operations, business division and undertaking of MIS and subsidiaries and investments of MIS, in each case, pertaining to the (i) Facility Management Business and (ii) Catering Business, on a going concern basis along with all related assets, liabilities, intangible assets, employees, rights, powers, licenses, statutory registrations, permissions and powers, leasehold rights, and all its debts, outstanding, liabilities, duties, obligations as on the Appointed Date. Without prejudice to the generality of the aforesaid, it shall include (without limitation) in particular the following:

- (a) Rights in any immovable property under any lease, agreement to use, leave or license agreement, service agreement for any premises, guest house, business centers, office properties and residential properties, forming part of the Demerged Undertaking and/or used by MIS in connection with the Facility Management Business and Catering Business;

- (b) all assets (whether movable, immovable, tangible or intangible, present, future or contingent), including, without limitation to, all rights and interest in connection with any land and buildings thereon whether corporeal or incorporeal, leasehold or otherwise, pertaining to all rights in any premises (whether pursuant to lease, leave and license agreements, agreement to use or otherwise), all agreements, rights, contracts, entitlements including those for provision or receipt of any services related to the Facility Management Business and Catering Business and rights relating thereto, plant and machinery, facilities, inventories, stores and stocks, accessories, utilities, services, implements, apparatus, instruments, vehicles, spares, tools, vessels, stabilizers, advances, deposits, sundry debtors, loans and advances, the benefit of any deposits including earnest suppliers' and security deposits, bills of exchange and prepaid expenses, cash and bank balances, office equipment, furniture and fixtures, communication facilities, other fixed assets, trademark, brands, investments in subsidiaries and other investments of MIS specifically relating



to the Facility Management Business and Catering Business and all other assets whether real or personal, present/current, future or contingent and liabilities relating to the Facility Management Business and Catering Business;

- (c) all permits, rights, entitlements, bids, tenders, letters of intent, expressions of interest, municipal and other statutory permissions, approvals, consents, licenses, registrations, filings, rights, contracts, agreements, engagements, insurance policies, arrangements, authorities, allotments, notarization, declaration, subsidies, concessions, exemptions, incentives, grants, claims, tenancy rights, liberties, special status and other benefits or privileges, remissions, tax credits (including but not limited to credits in respect of income tax, sales tax, value added tax, turnover tax, service tax, etc.), tax deferrals, tenancies in relation to office, bank accounts, lease rights, licenses, industrial and other licenses, if any, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephones, telexes, facsimile connections and installations, utilities, electricity and other services, provisions, funds, benefits of any guarantees, reversions, powers, agreements, contracts and arrangements and all other approvals, sanctions and consents of every kind, nature and description whatsoever and all other interests in connection with or relating to the Facility Management Business and Catering Business;

- (d) all debts, borrowings, obligations, taxes, duties and liabilities both present and future (including contingent liabilities and the liabilities and obligations under any licenses or permits or schemes) of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized, whether secured or unsecured, whether in rupees or foreign currency, relating to the Facility Management Business and Catering Business;

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Demerged Undertaking will include:

- All debts, borrowings, obligations, taxes and liabilities, including tax and all other liabilities arising between the Appointed Date and the Effective Date, whether present or future, (including contingent liabilities), whether secured or unsecured, which arise out of the activities or operations of the Facility Management Business and Catering Business;
- Specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the Facility Management Business and Catering Business; and
- Liabilities other than those referred to above, being the amounts of general or multipurpose borrowings of MIS, allocated to the Facility Management Business and Catering Business in the same proportion in which the value of the assets transferred under this Scheme bear to the total value of the assets of MIS immediately before giving effect to the Scheme.

- (e) all intellectual property and industrial property rights and assets, and all rights, interests and protections associated with, similar to or required for any of the foregoing, whether registered or unregistered, trade and service names and marks, brand names, logos, design rights, and other similar designations of source, sponsorship, association or origin, industrial property rights and assets, trade secrets, business and technical information and know-how, databases, data collections and other confidential and proprietary information and all rights therein, works of authorship, expressions, designs and design registrations, whether or not copyrightable, including copyrights, author, performer and neighboring rights, and all registrations, applications for registration and renewals of such copyrights, designs and other intellectual property rights of any nature whatsoever, books, records, files, papers, software and firmware, including data files.

source code, object code, application programming interfaces, architecture, files, records, schematics, computerized databases and other related specifications and documentation, software licenses (whether proprietary or otherwise), drawings, computer programmes, manuals, data, catalogues, quotations, sales and advertising material, lists of present and former customers and suppliers, other customer information, customer credit information, customer pricing information, and all other records and documents, whether in physical or electronic form relating to business activities and operations of the Facility Management Business and Catering Business, other than trade marks containing the word "Manipal";

(f) all employees of the Facility Management Business and Catering Business as on the Effective Date; and

(g) all legal proceedings of whatsoever nature by or against MIS pending on the Appointed Date and relating to the Facility Management Business and Catering Business.

Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Demerged Undertaking or whether it arises out of the activities or operations of the Demerged Undertaking or not, shall be decided by mutual agreement between the Board of Directors of MIS and Quess.

It is clarified that the Demerged Undertaking shall not include any employees, assets, liabilities, rights and obligations belonging to and forming part of the Remaining Business of MIS.

1.6. **"Effective Date"** means the later of the dates on which the certified or authenticated copies of the orders sanctioning the Scheme, passed by the Tribunal is filed with the Registrar of Companies, being the Registrar of Companies, Karnataka by Quess and MIS respectively. Any references in this Scheme to the "date of coming into effect of this Scheme" or "effectiveness of the Scheme" or "Scheme taking effect" shall mean the Effective Date.

1.7. **"MIS" or "Transferor Company" or "Demerged Company"** means Manipal Integrated Services Private Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Tower B-1, 3rd Floor, Golden Enclave Old Airport Road, Bangalore, Karnataka- 560001.

1.8. **"MIS Preference Shares"** means 40,36,697 compulsorily convertible preference shares of the Transferor Company having the terms set out in Annexure 2.

1.9. **"Record Date"** means the date to be fixed by the Board of Directors of Quess and the Board of Directors of MIS, for the purpose of determining the shareholders of MIS who shall be entitled to receive shares of Quess as per Clause 5 of the Scheme.

1.10. **"Remaining Business"** with respect to MIS means business, employees, assets and liabilities of MIS other than the Demerged Undertaking and all assets and liabilities of MIS related to such business including the entire immovable property to which MIS has title.

1.11. **"Scheme" or "the Scheme" or "this Scheme"** means this Scheme of Arrangement in its present form or with any modification(s) made under Clause 14 of this Scheme as approved or directed by the Tribunal.



1.12. “SEBI” means Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.

1.13. “SEBI Circular” means Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by SEBI or any other circulars issued by SEBI applicable to schemes of arrangement from time to time.

1.14. “Stock Exchanges” means the BSE Limited and the National Stock Exchange of India Limited collectively.

1.15. “Tribunal” means the bench of the National Company Law Tribunal at Bengaluru that has been constituted under the Act having jurisdiction over the Transferor Company and the Transferee Company.

1.16. All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contract Regulation Act, 1956, the Depositories Act, 1996, the Income-tax Act, 1961 and other applicable laws, rules, regulations, bye-laws, as the case may be, or any statutory modification or re-enactment thereof from time to time.

## 2. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modification(s) and amendments(s) made under Clause 14 of the Scheme, approved or imposed or directed by the Tribunal, shall be effective from the Appointed Date but shall be made operative from the Effective Date.

## 3. SHARE CAPITAL

3.1 The share capital of MIS as on March 31, 2016 as per its audited financial statements is as under:

Particulars	Amount (Rs.)
Authorised	
2,00,00,000 Equity Shares of Rs. 10 each	20,00,00,000
<b>Total</b>	<b>20,00,00,000</b>
Issued Subscribed and Paid Up <sup>#</sup>	
1,18,96,319 Equity Shares of Rs. 10 each fully paid-up	11,89,63,190
<b>Total</b>	<b>11,89,63,190</b>

<sup>#</sup>Certain employee stock option granted to employees of MIS may get exercised before the Effective Date. The details of unexercised employee stock options (net of cancellation) of the employees of MIS as on March 31, 2016 are set out below:



Unexercised stock options	Amount (In Rs.)
2,35,750 options entitling equivalent Equity Shares of Rs. 10 each.	23,57,500
Total	23,57,500

### 3.2

Guess initially subscribed to MIS Preference Shares amounting to Rs. 220 Crores for securing an interest in the Facility Management Business and Catering Business, development of the same and facilitating the proposed demerger of the Facility Management Business and Catering Business as contemplated in this Scheme. MIS has passed necessary resolutions approving the issue of MIS Preference Shares by private placement to Guess prior to the passing the resolution approving the Scheme. Post allotment of the MIS Preference Shares, as on December 6, 2016 the share capital of MIS stands revised as under :

Particulars	Amount (Rs.)
Authorised	
1,00,00,000 Preference Shares of Rs. 10 each	10,00,00,000
2,00,00,000 Equity Shares of Rs. 10 each	20,00,00,000
<b>Total</b>	<b>30,00,00,000</b>
Issued Subscribed and Paid Up <sup>##</sup>	
40,36,697 Preference Shares of Rs. 10 each	4,03,66,970
1,20,73,319 Equity Shares of Rs. 10 each fully paid-up	12,07,33,190
<b>Total</b>	<b>16,11,00,160</b>

<sup>##</sup>Certain employee stock option granted to employees of MIS may get exercised before the Effective Date. The details of unexercised employee stock options (net of cancellation) of the employees of MIS as on December 6, 2016 are set out below:

Unexercised stock options	Amount (In Rs.)
58,750 options entitling equivalent Equity Shares of Rs. 10 each.	5,87,500
Total	5,87,500

### 3.3

The share capital of Guess as on March 31, 2016 as per its audited financial statements is as under:



Particulars	Amount (Rs.)
Authorised	
20,00,00,000 Equity Shares of Rs.(10) each	2,00,00,00,000
<b>Total</b>	<b>2,00,00,00,000</b>
Issued Subscribed and Paid Up	
11,33,35,056 Equity Shares of Rs.(10) each fully paid up	1,13,33,50,560
<b>Total</b>	<b>1,13,33,50,560</b>

3.4

The share capital of Quess as on the date of approval of the Scheme by the board of directors of Quess is as under:

Particulars	Amount (Rs.)
Authorised	
20,00,00,000 Equity Shares of Rs.(10) each	2,00,00,00,000
<b>Total</b>	<b>2,00,00,00,000</b>
Issued Subscribed and Paid Up	
12,67,48,751 Equity Shares of Rs.(10) each fully paid up	1,26,74,87,510
<b>Total</b>	<b>1,26,74,87,510</b>



## **PART B**

### **TRANSFER OF DEMERGED UNDERTAKING FROM MIS TO QUESS**

#### **4. TRANSFER AND VESTING OF DEMERGED UNDERTAKING FROM MIS TO QUESS**

- 4.1 With effect from the Appointed Date and upon this Scheme coming into effect, the Demerged Undertaking (including all accretions and appurtenances) shall, without any further act, instrument or deed, be and stand de-merged from MIS and transferred to and vested in or be deemed to be transferred to and vested in Quess as a going concern, so as to vest in Quess, all the rights, titles and interests pertaining to Demerged Undertaking, pursuant to Sections 230 to 232 of the Act and any other relevant provisions of the Act (as may be applicable), Section 2(19AA) of the Income-tax Act, 1961 and the order of the Tribunal sanctioning the Scheme, subject however, to subsisting charges pertaining to the Demerged Undertaking, if any.
- 4.2 Without prejudice to the provisions of Clause 4.1 above, in respect of such of the assets and properties (tangible or intangible) of the Demerged Undertaking, including cash in hand, as are movable in nature or otherwise capable of passing by manual delivery or by endorsement and delivery shall be so delivered or endorsed and delivered, as the case may be, and shall upon such delivery or endorsement and delivery, become the assets and properties of Quess, without requiring any deed or instrument or conveyance for the same.
- 4.3 In respect of movable assets of the Demerged Undertaking other than those specified in Clause 4.2 above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with government, semi-government, local and other authorities and bodies, customers and other persons, the following methodology shall to the extent possible be followed:
- Quess shall give notice in such form as it may deem fit and proper to each person, debtor or depositor that pursuant to the Tribunal having sanctioned this Scheme, the said debt, loan, advance or deposit be paid to or made good to or held on account of Quess and that the right of MIS to recover or realize the same stands extinguished and deemed to be transferred to Quess.
- 4.4 Upon the Scheme coming into effect and with effect from the Appointed Date, all rights in any immovable property under any lease, agreement to use, leave or license agreement, service agreement for any premises, guest house, business centers, office properties and residential properties, forming part of the Demerged Undertaking and/or used by MIS in connection with the Demerged Undertaking, shall stand transferred to and be vested in Quess, as a successor of MIS in relation to the Demerged Undertaking, without any act or deed to be done or executed by MIS and/ or Quess. Quess shall be entitled to exercise all rights and privileges and be liable to pay appropriate rent, rates, taxes and charges and fulfill all obligations, in relation to or applicable to all such immovable properties.
- 4.5 Upon this Scheme coming into effect, and with effect from the Appointed Date, and subject to the provisions of this Scheme, all debts, liabilities, contingent liabilities, taxes, duties and obligations of every kind, nature and description of MIS pertaining or relating to the Demerged Undertaking shall, without any further act, instrument or deed, be and stand transferred from MIS and transferred to and vested in or be deemed to be transferred to and vested in and assumed by Quess so as to become as and from the Appointed Date, the debts, liabilities, contingent liabilities, taxes, duties and obligations of Quess, pursuant to Sections 230 to 232 of the Act and



any other relevant provisions of the Act and the order of the Tribunal sanctioning the Scheme, and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.

- 4.6 With effect from the Appointed Date and upon this Scheme coming into effect, all permits, no objection certificates, contracts, deeds, agreements and other instruments, permissions, approvals, consents, rights, entitlements, licenses, including those relating to tenancies, copyrights, intellectual property rights, privileges, powers, facilities of every kind and description of whatsoever nature in relation to Demerged Undertaking of which MIS is a party or to the benefit of which MIS may be eligible and which are subsisting or having effect on the Effective Date, shall stand transferred to and vested in Quess without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of Quess upon the vesting and transfer of Demerged Undertaking in Quess pursuant to this Scheme, and shall be and remain in full force, operative and effectual for the benefit of Quess, and may be enforced by Quess as fully and effectually as if, instead of MIS, Quess had been the original party or beneficiary or obligee thereto, and Quess shall be bound by the terms thereof.

- 4.7 In so far as assets comprised in the Demerged Undertaking are concerned, the security, existing charges, mortgages and encumbrances, if any, over or in respect of any of the assets or any part thereof or charge over such assets relating to any loans or borrowings of MIS shall, without any further act or deed, be released and MIS will be discharged from the same and such assets shall no longer be available to lenders of the Remaining Business of MIS as security.

- 4.8 It is clarified that all assets, estate, rights, interest and authorities acquired by MIS or any liabilities accrued to MIS after the Appointed Date and until the Effective Date for operation of or in connection with the Demerged Undertaking shall also stand transferred to and vested in Quess with effect from the Effective Date.

- 4.9 Where any of the liabilities mentioned in sub-clause 4.5 have been discharged by MIS after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of Quess.

- 4.10 All cheques and other negotiable instruments, payment orders received and presented for encashment which are in the name of MIS and pertaining to the Demerged Undertaking after the Effective Date, shall be accepted by the bankers of Quess and credited to the accounts of Quess, if presented by Quess.

## **5 CONSIDERATION FOR THE PROPOSED DEMERGER**

- 5.1 Upon this Scheme becoming effective and as consideration for the proposed demerger, Quess shall, without any act, application, payment or deed, issue and allot equity shares ("Equity Shares") credited as fully paid up, as per the share entitlement ratio set out below, to the equity shareholders of MIS whose names appear in the register of members of MIS on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of Quess and MIS in proportion to their equity shareholding in MIS in consideration for the transfer of the Demerged Undertaking. The share entitlement ratio shall be:

*165 (one hundred and sixty five) equity shares of Quess of Rs. 10 each fully paid up for every 280 (two hundred and eighty) equity shares of MIS of Rs. 10/- each fully paid up.*



5.2 The Equity Shares of Quess to be issued and allotted as above shall, from the date of allotment in terms of the Scheme, be subject to the memorandum and articles of association of Quess in the same manner as the existing equity shares and shall rank *pari passu* with the existing equity shares of Quess in all respects including dividends.

5.3 The Equity Shares of Quess shall be issued and allotted in dematerialized form to those equity shareholders who hold shares of MIS in dematerialized form, and in to the demat account in which MIS shares are held or such other account as is intimated by the equity shareholders to MIS and / or its registrar. All those equity shareholders who hold equity shares of MIS in physical form shall also have the option to receive the Equity Shares in dematerialized form provided the details of their account with the depository participant are intimated in writing to MIS and / or its registrar. In the event that MIS has received notice from any person that equity shares are to be issued in physical form or if any person 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 person do not permit electronic credit of the Equity Shares, then Quess shall issue Equity Shares in physical form to such person or persons.

5.4 The Board of Directors of Quess shall, if and to the extent required, apply for and obtain any approvals from concerned government / regulatory authorities for the issue and allotment of Equity Shares pursuant to Clause 5.1 above of the Scheme.

5.5 Equity Shares of Quess to be issued and allotted to the equity shareholders of MIS pursuant to Clause 5.1 above of the Scheme will be listed and/or admitted to trading on the BSE Limited and the National Stock Exchange of India Limited, where the equity shares of Quess are listed and/or admitted to trading in accordance with the applicable laws. Quess 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.

5.6 In the event of there being any pending share transfers with respect to the application lodged for transfer by any equity shareholder of MIS, the Board of Directors or any committee thereof of MIS, or failing which the Board of Directors or any committee thereof of Quess, shall be empowered in appropriate case, even subsequent to the Record Date to effectuate such a transfer in MIS as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or the transferee of the share(s) in MIS and in relation to the Equity Shares of Quess after the Scheme becomes effective.

5.7 Equity Shares to be issued and allotted by Quess to the equity shareholders of MIS pursuant to Clause 5.1 above of this Scheme, in respect of any equity shares in MIS which are held in abeyance under the provisions of Section 126 of the Act or otherwise, pending allotment or settlement of dispute, by order of court or otherwise, shall be held in abeyance by Quess.

5.8 If any equity shares of MIS held by the equity shareholders of MIS as on the Record Date are under any statutory lock-in, the Equity Shares issued and allotted by Quess to such equity shareholders shall also be locked-in for the remainder of the lock-in period as per applicable laws.

5.9 Fractional entitlements, if any, by Quess, to the equity shareholders of MIS at the time of issue and allotment of equity shares under Clause 5.1 above shall be consolidated.

5.10 Upon such consolidation, the Board of Directors of Quess shall allot Equity Shares in lieu thereof



to a Director or such other authorized representative(s) as the Board of Directors of Qness shall appoint in this behalf, who shall hold the Equity Shares issued in Qness, in trust on behalf of the shareholders entitled to fractional entitlements with the express understanding that the Director or other authorized representative(s) shall sell the same in the market at such time or times and at such price or prices and to such person or persons, as it/he/they may deem fit, and pay to Qness, the net sale proceeds thereof, whereupon Qness shall distribute such net sale proceeds (after deduction of applicable taxes), to the shareholders in proportion to their respective fractional entitlements. Any fractional entitlements arising post such consolidation, if any, shall be ignored.

5.11 If the Market Value of the Equity Shares issued and allotted pursuant to Clause 5.1 above on the Calculation Date is less than the Threshold Value, the equity shareholders of MIS to whom the Equity Shares are issued under this Scheme shall be issued RPS as per the terms and subject to the conditions set out in Annexure 1.

5.12 Approval of this Scheme by the shareholders of Qness shall be deemed to be due compliance of the provisions of Sections 42, 55, 62 and the other relevant provisions of the Act and all applicable laws for the issue and allotment of shares by Qness, as provided in this Scheme.

5.13 The Transferee Company shall, prior to the Scheme becoming effective, take necessary actions including but not limited to passing necessary resolutions; making filing relevant filings with Ministry of Corporate affairs, Registrar of Companies, Mumbai; and payment of necessary stamp duty and filing related fees as may be payable under applicable law and regulations for increase in the authorized share capital for issuance of shares under the Scheme and consequent amendments to the memorandum and articles of association of the Transferee Company.

## **6 ACCOUNTING TREATMENT**

### **In the books of Qness**

6.1 The Transferee Company shall account for the acquisition of the assets and liabilities of the Demerged Entity in accordance with Indian Accounting Standard Ind AS 103 - Business Combinations notified under Section 133 of the Act.

6.2 As on the Appointed Date and the Scheme becoming effective:

- (i) The Transferee Company shall recognise, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest.
- (ii) The Transferee Company may recognise certain assets and liabilities that the Demerged Company had not previously recognised in its financial statements at fair values determined as on Appointed Date. The Transferee Company may recognise certain identifiable intangible assets such as customer relationships, brand etc.
- (iii) The initial investment in MIS Preference Shares of the Demerged Company amounting to INR 220 Crores as described in Clause 3.2 of this Scheme, shall stand cancelled and accordingly will be evaluated for the computation of the goodwill/ capital reserve / intangible assets (further as described in sub clause iv below).



- (iv) Any excess of the aggregate value of the initial investment in MIS Preference Shares (Clause 3.2) and the shares issued pursuant to the Scheme (Clause 5) over the fair value of net assets acquired (paragraphs (i) and (ii) above) shall be recognised in the Transferee Company's books of accounts as goodwill. If there is a deficit, the difference shall be credited to "capital reserve account".

#### **In the books of MIS**

#### **6.3 As on the Appointed Date and the Scheme becoming effective:**

- (i) Upon the Scheme becoming effective, the book value of the assets and liabilities pertaining to the Identified Business of MIS shall be transferred to Quess and shall stand reduced from the book value of the assets and liabilities of MIS.
- (ii) The difference between the book values of the assets and liabilities of the Identified Business of MIS vested in Quess, shall be first adjusted against its securities premium and, the balance, if any, against its profit and loss account balance.
- (iii) MIS shall cancel MIS Preference Shares and make a corresponding credit to reserves. Such cancellation of MIS Preference Shares along with utilization of the securities premium account as aforesaid shall be effected as a part of the Scheme itself and not under a separate procedure in terms of Section 52 and Section 66 of the Act. Further, post cancellation of MIS Preference Shares, the rights of the holders of MIS Preference Shares shall cease to exist and they shall not have any further rights in MIS.
- (iv) The cancellation of MIS Preference Shares and utilization of securities premium account as aforesaid in para (iii) do not involve either diminution of liability in respect of unpaid share capital and the same shall be effected as a part of the Scheme only.

### **7 CONDUCT OF BUSINESS**

#### **7.1 With effect from the Appointed Date and up to and including the Effective Date:**

#### **7.2 MIS shall, in respect of the Demerged Undertaking, be deemed to have been carrying on and shall carry on its business and activities and shall hold and stand possessed of and hold all its properties and assets in relation to the Demerged Undertaking for and on account of and in trust for Quess.**

#### **7.3 Quess shall be entitled, pending the sanction of the Scheme by the Tribunal, to apply to the central/state government and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which Quess may require to own and carry on the business of the Demerged Undertaking.**

### **8 EMPLOYEES**

#### **8.1 On the Scheme becoming effective, all the employees of MIS engaged in or in relation to the Demerged Undertaking shall become the employees of Quess with effect from the Appointed Date, without any break or interruption in their services, on same (but in any case no less favourable) terms and conditions on which they are engaged as on the Effective Date. Quess**



further agrees that for the purpose of provident fund or superannuation or payment of any other retirement or termination benefit / compensation, or other statutory purposes, the services of such employees will be reckoned from the date of their respective appointments with the Demerged Undertaking of MIS. Any question that may arise as to whether any employee belongs to or does not belong to the Demerged Undertaking shall be decided jointly by the Boards of Directors of MIS and Quess.

- 8.2 The accumulated funds standing to the credit of the employees whose services are transferred under Clause 8.1 above, relating to superannuation, provident fund and gratuity fund or any other statutory or special fund or trusts created or existing for the benefit of the employees of MIS engaged in or in relation to the Demerged Undertaking shall be identified, determined and transferred to such provident fund, superannuation fund and other funds nominated by the trusts / funds of Quess or other funds to be established and caused to be recognized by the concerned authorities by Quess, and such employees shall be deemed to have become members of such trusts / funds of Quess on the same terms and conditions as applicable to the Funds of MIS in relation to the said employees. On and from the Effective Date, with effect from the Appointed Date, and subject to getting the Scheme approved by the relevant authorities, Quess shall make the necessary contributions for such employees in relation to the funds. It is clarified that the services of the employees of MIS engaged in or in relation to the Demerged Undertaking of MIS shall be treated as having been continuous without any break, discontinuance or interruption for the purpose of the said funds.

- 8.3 It is the aim and intent of this Scheme that all the rights, duties, powers and obligations of the Demerged Undertaking in relation to such funds shall become those of Quess.

## **9 LEGAL PROCEEDINGS**

- 9.1 All legal proceedings relating to the Demerged Undertaking of whatsoever nature by or against MIS pending and/or arising before the Effective Date, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against Quess, as the case may be, in the same manner and to the same extent as would or might have been continued and enforced by or against MIS. It is hereby expressly clarified that any legal proceedings by or against MIS in relation to cheques and other negotiable instruments, payment orders received or presented for encashment which are in the name of MIS and pertaining to the Demerged Undertaking shall be instituted, or as the case may be, continued, by or against, Quess after the coming into effect of the Scheme.

- 9.2 All legal or other proceedings initiated by or against the Demerged Undertaking referred in Clause 9.1 above shall stand transferred to the name of Quess and the same shall be continued, prosecuted, defended and enforced as the case may be by or against Quess, to the exclusion of MIS.

## **10 CONTRACTS, DEEDS AND OTHER INSTRUMENTS**

- 10.1 Upon the coming into effect of this Scheme and subject to the other provisions of this Scheme, all contracts, deeds, bonds, schemes, insurance, letters of intent, undertakings, arrangements, policies, agreements and other instruments (including all tenancies, leases, and other assurances in favour of MIS or powers or authorities granted by or to it), if any, of whatsoever nature pertaining to the Demerged Undertaking, to which MIS is a party and subsisting or having effect



on the Effective Date, shall be in full force and effect against or in favour of Quess, as the case may be, and may be enforced by or against Quess as fully and effectually as if, instead of MIS, Quess had been a party or beneficiary or oblige thereto and shall be binding on Quess.

- 10.2 Quess shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which MIS will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary. Quess shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of MIS and to implement or carry out all formalities required on the part of MIS to give effect to the provisions of this Scheme.

## **11 TAXES**

- 11.1 This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income-tax Act, 1961. If any terms or provisions of the Scheme is / are inconsistent with the provisions of Section 2(19AA) of the Income-tax Act, 1961, the provisions of Section 2(19AA) of the Income-tax Act, 1961 shall prevail and the Scheme to stand modified to the extent necessary to comply with Section 2(19AA) of the Income-tax Act, 1961; such modification shall not affect other parts of the Scheme.

- 11.2 All taxes (including income tax, sales tax, excise duty, custom duty, service tax, value added tax, etc.) paid or payable by MIS in respect of the operations and / or the profits of the Demerged Undertaking before the Appointed Date, shall be on account of MIS and, insofar as it relates to the tax payment (including, without limitation, income tax, sales tax, excise duty, custom duty, service tax, value added tax, etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by MIS in respect of the profits or activities or operation of the Demerged Undertaking after the Appointed Date, the same shall be deemed to be the corresponding item paid by Quess and shall, in all proceedings, be dealt with accordingly.

- 11.3 Quess and/or MIS shall be entitled to revise and file income tax returns, sales tax / value added tax return, service tax returns and other returns, and to claim refunds/ credits, pursuant to the provisions of this Scheme.



## PART C

### GENERAL TERMS & CONDITIONS

#### 12 REMAINING BUSINESS

- 12.1 The Remaining Business and all the assets, liabilities and obligations relating or pertaining thereto shall continue to belong solely to and continue to be vested solely in and be managed by MIS.
- 12.2 All legal, tax and other proceedings by or against MIS under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, whether or not in respect of any matter arising before the Effective Date and pertaining or relating to the Remaining Business (including those relating to any property, right, power, liability, obligation or duty, of MIS in respect of the Remaining Business) shall be continued and enforced solely by or against MIS only.
- 12.3 MIS shall carry on all business and activities pertaining or relating to the Remaining Business in its own name and on its own account and its own behalf in all respects.
- 12.4 All profit accruing to MIS or losses arising or incurred by it pertaining or relating to the Remaining Business shall, for all purposes, be treated as its profit, or losses, as the case may be.

#### 13 APPLICATION TO TRIBUNAL

Quest and MIS shall make all necessary applications/ petitions under Sections 230 to 232 and other applicable provisions of the Act to the Tribunal for seeking approval of the Scheme and for such other orders as the Tribunal may deem fit for bringing the Scheme into effect and all matters ancillary or incidental thereto.

#### 14 MODIFICATION OR AMENDMENTS TO THE SCHEME

Subject to the approval of the Tribunal, Quest and MIS by their respective Boards of Directors (the "**Board**", which term shall include any Committee thereof), may assent to/make and/or consent to any modifications/amendments to the Scheme or to any conditions or limitations that the Tribunal and/or any other statutory/ regulatory authority under law may deem fit to direct or impose, or which may otherwise be considered necessary, desirable or appropriate as a result of subsequent events or otherwise by them (i.e. the Boards). Quest and MIS, by their respective Boards, are authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme into effect, whether by reason of any directive or order of any other authorities or otherwise howsoever, arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

#### 15 CONDITIONALITY OF THE SCHEME

- 15.1 This Scheme is and shall be conditional upon and subject to:
- 15.1.1 The Scheme being approved by the requisite majorities in number and value of the various classes of shareholders and/or creditors (where applicable) of Quest and MIS as may be directed by the Tribunal.



15.1.2 Receipt of approvals of the relevant Stock Exchanges where the equity shares of Quess are listed and traded and SEBI in terms of the SEBI Circular, as applicable.

15.1.3 The Scheme being sanctioned by the Tribunal under Sections 230 to 232 of the Act and other applicable provisions of the Act.

15.1.4 The requisite consent, approval or permission of any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme.

15.1.5 Authenticated/ certified copies of the orders of the Tribunal sanctioning the Scheme being filed with the relevant Registrar of Companies by MIS and Quess respectively.

## **16 EFFECT OF NON-RECEIPT OF APPROVALS**

16.1 In the event of any of the said sanctions and approvals referred to in Clause 15 not being obtained and/ or the Scheme not being sanctioned by the Tribunal by December 31, 2017, or such other date as may be mutually agreed by the board of directors of Quess and MIS, this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

16.2 In the event of revocation under Clause 15.1, no rights and liabilities whatsoever shall accrue to or be incurred *inter se* to MIS and Quess or their respective shareholders or creditors or employees or any other person save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or in accordance with the applicable laws and in such case, each company shall bear its own costs unless otherwise mutually agreed.

## **17 COSTS, CHARGES AND EXPENSES**

All costs, charges, taxes including duties, levies and all other expenses arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto including but not limited to stamp duty charges with respect to the issuance and allotment of shares of Quess to the equity shareholders of MIS, payment of all stamp duty and registration charges with respect to the transfer of the Demerged Undertaking (including all accretions and cippurtenances), as a going concern, from MIS to Quess, shall be borne by Quess.

## **18 SAVING OF CONCLUDED TRANSACTIONS**

18.1 Subject to the terms of this Scheme, the transfer and vesting of the Demerged Undertaking under Clause 4 of this Scheme shall not affect any transactions or proceedings already concluded by the Demerged Undertaking on or before the Appointed Date or concluded after the Appointed Date till the Effective Date, to the end and intent that Quess accepts and adopts all acts, deeds and things made, done and executed by the Demerged Undertaking as acts, deeds and things made, done and executed by or on behalf of Quess.



**19 SEVERABILITY**

19.1

If any provision of this Scheme is held invalid, ruled illegal/ unenforceable for any reason whether under present or future laws by the Tribunal, parties or any other government authorities/ person(s) as applicable under the Act, then it is the intention of the parties that such provision shall be severable from the remainder of this Scheme and this Scheme shall not be affected thereby, unless the deletion of such provision shall cause this Scheme to become materially adverse to any party, in which case the parties shall attempt to bring about a modification in this Scheme, as will best preserve for the parties the benefits and obligations of this Scheme, including but not limited to such provision.



## ANNEXURE 1

### TERMS OF THE REDEEMABLE PREFERENCE SHARES

1. If the Market Value of the Equity Shares on the Calculation Date is less than the Threshold Value, Quess shall issue non-convertible redeemable preference shares of Quess ("RPS") of such aggregate value being the difference between the Threshold Value and the Market Value to the shareholders of MIS.
2. The face value of each RPS shall be INR 10 (Rupee Ten). Accordingly, the number of RPS issued shall be as follows:  
  
**{Threshold Value /less Market Value} / Rs 10**
3. Such number of RPS issued shall be issued to MIS shareholders in the proportion of their equity holding in MIS.
4. Each RPS shall be redeemed by Quess on the Redemption Date at face value:  
  
where:  
  
"Threshold Value" means an amount equal to INR 3,575,000,000 (Rupees three billion five hundred and seventy five million).  
  
"Market Value" means the product of {the number of Equity Shares issued pursuant to the Scheme} and {the closing price of the Equity Shares on the Calculation Date, on the stock exchange on which Equity Shares are more frequently traded on the Calculation Date}.  
  
"Calculation Date" means the last trading day before the receipt of the final approval for the listing and trading of the Equity Shares issued pursuant to the Scheme is received from the Stock Exchanges.
5. The RPS shall carry no voting rights.
6. Upon the redemption of the RPS in accordance with these terms, the RPS shall be cancelled and all the rights of the holders of the RPS in respect of such RPS shall cease to exist.



## ANNEXURE 2

### TERMS OF THE MIS PREFERENCE SHARES

1. The face value of each MIS Preference Share shall be INR 10 (Rupees Ten).
2. Each MIS Preference Share shall be convertible into 1 (one) equity share of the Transferor Company having a face value of Rs. 10 (Rupees Ten).
3. Each MIS Preference Share shall be entitled to a dividend of 0.0001 % per annum on a non-cumulative basis.
4. The MIS Preference Shares shall be mandatorily converted into equity shares of the Transferor Company upon expiry of a period of 5 (five) years from the date of allotment.
5. The MIS Preference Shares shall carry no voting rights, except in accordance with the provisions of the Act.
6. The equity shares of the Transferor Company issued and allotted by the Transferor Company pursuant to the conversion of the MIS Preference Shares shall rank *pari passu* in all respects, including dividend, with the existing equity shares of the Transferor Company.



*Signature to May*