



SCHEME OF ARRANGEMENT OF FOURTH GENERATION INFORMATION SYSTEMS LIMITED

BETWEEN ITS SHAREHOLDERS AND UNSECURED CREDITORS

(Under Sections 391 to 394 read with Section 100 to 104 of the Companies Act, 1956)

1. PREAMBLE

1.1 FOURTH GENERATION INFORMATION SYSTEMS LIMITED (hereinafter referred to as "Company"), the corporate particulars in respect of which are given in clauses 3, 4 and 5 is engaged in the business of development of computer software.

1.2 The Breakup of Accumulated Losses of the Company for the past 5 years is as follows:

Amount in Rupees

Year	Depreciation (Loss)	Business (Loss)/Profit	Capital (Loss)	Total (Loss)/Profit	Cumulative (Loss)/Profit
31.03.2008	(2,57,459)	(2,45,498)	-	(2,45,498)	(1,67,32,290)
31.03.2009	(2,57,459)	(3,82,964)	-	(3,82,964)	(1,71,15,254)
31.03.2010	(2,31,444)	(7,03,029)	-	(7,03,029)	(1,78,18,283)
31.03.2011	(2,29,419)	(10,74,29,679)	-	(10,74,29,679)	(12,52,47,963)
31.03.2012	(2,29,419)	(45,59,803)	-	(45,59,803)	(12,92,07,766)

1.3 In view of the complete erosion of its Net worth, the Company is not in a position to undertake operations in a reasonable way. The Company was also not able to raise any loans from Financial Institutions, which is essential for continuing / expanding / diversifying its business activities.

1.4 In view of the above circumstances, the Company proposes to undertake a corporate restructuring exercise in the manner as provided below:

a) Out of its total accumulated losses of Rs.129,207,766/- (Rupees Twelve Crores Ninety Two Lakhs Seven Thousand Seven Hundred And Sixty Six Only), the Company seeks to set off a loss of Rs.11,22,60,600/- (Rupees Eleven Crores twenty two Lakhs Sixty thousand Six hundred only) out of its total accumulated losses of Rs.129,207,766/- (Rupees Twelve Crores Ninety Two Lakhs Seven Thousand Seven Hundred And Sixty Six Only) against its Paid Up Capital of Rs.12,47,34,000/- (Rupees Twelve Crore Forty Seven Lakh Thirty Four thousand Only) resulting in a reduction of Rs.11,22,60,600 (Rupees Eleven Crores twenty Two Lakhs Sixty Thousand Six hundred only) from its Paid Up Capital.

b) Upon setting off the accumulated losses, the issued, subscribed and paid up capital of the Company shall be Rs.1,24,73,400/- (Rupees One Crore Twenty Four Lakhs ~~Seventy Three Thousand Four Hundred only~~) divided into 6,23,67,000 (Six Crores twenty Three Lakhs Sixty Seven thousand) Equity Shares of Re.0.2/- (Rupee


 Managing Director/Director



"Twenty Paise" Only) each. The said issued, subscribed and paid up share capital of the company shall further consolidated into **Rs.1,24,73,400/- (Rupees One Crore Twenty Four Lakhs Seventy Three Thousand Four Hundred only)** divided into **12,47,340 (Twelve Lakhs Fourty Seven Thousand Three Hundred and Fourty) Equity Shares of Re.10/- (Rupee Ten Only) each.**

- c) Every shareholder of the Company, whose name appears on the Register of Members on the Record Date, shall receive 1 (One) Equity Share of Rs.10/- (Rupees Ten Only) in lieu of every 50 Equity Shares of Rs.2/- (Rupees Two Only) each, held earlier in the Company. For example a person who is holding 100 (Hundred) Equity Shares of Rs.2/- (Rupees Two Only) each aggregating to Rs.200/- (Rupees two hundred Only) shall hold (after the reduction and consolidation) 2 Equity Shares of Rs.10/- (Rupees Ten Only) each aggregating to Rs.20/- (Rupees Twenty Only).
- d) Further, the unsecured loans amounting to **Rs.1,10,50,000/- (Rupees One Crore Ten Lakhs Fifty Thousand Only)** standing in the books of the Company as on 31st March, 2012 shall be converted into Equity Shares (i.e) Rs.1,10,50,000/- divided into **11,05,000 (Eleven Lakhs and Five thousand Only) Equity Shares of Rs.10/- (Rupees Ten Only) each .**
- e) After conversion of unsecured loans into equity shares, the total number of equity shares of the company after set off of accumulated losses and after conversion of unsecured loans into equity shares will become **23,52,340 (Twenty Three Lakhs Fifty Two Thousand Three hundred and Fourty) Equity shares of Rs.10/- (Rupees Ten Only) each. (12,47,340 + 11,05,000)**
- f) The reconstruction / restructuring of capital shall not cause any shareholder to hold any fractional shares in the Company. In respect of the fractional shares, if any, caused by the reconstruction / restructuring of capital, the same shall be transferred, without requiring any further action either on behalf of such shareholder or the Company, to a Trust formed for this purpose and the fractional shares shall be consolidated. The Independent Directors of the Company shall manage this Trust and the Compliance Officer / Company Secretary of the Company shall be the Secretary of the Trust and shall assist the Independent Directors in managing the affairs of the Trust. This Trust shall sell the consolidated shares in the market at the best available price in one or more lots. The decision of the Trust as to the timing and method of the sale and the price at which such sale has been given effect to, in that behalf shall be final and binding on all concerned. The Trust shall hold the net sale proceeds of all such shares after defraying there from all costs, charges and expenses of such sale and shall thereafter distribute such sale proceeds to the members of the Company in proportion to their fractional entitlements.

For Fourth Generation Information Systems Limited


Managing Director





OBJECTS / BENEFITS ARISING OUT OF THE SCHEME:

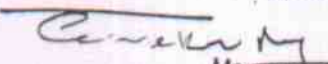
- i. The Company has incurred heavy losses and completely eroded its Net Worth. The Scheme will result in making its Net Worth positive.
- ii. The Scheme will enable the Company to overcome its financial difficulties and improve its working in the future.
- iii. The improved financial resources of the Company would ensure enhancement of its shareholders' value.
- iv. The fresh infusion of funds into the Applicant Company, through the preferential issue, would not only improve its cash flow but also increase its financial strength, thereby benefiting the Applicant Company.
- v. The Scheme will help the revival of the Company, which will be in the interests of its employees, shareholders, the National and State Exchequer and the Society in general.

3. DEFINITIONS:

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings.

- 3.1 "Act" shall mean the Companies Act, 1956 or any statutory modification or reenactment thereof.
- 3.2 "Appointed Date" means the date from which this Scheme shall become operative viz., 1st April 2012 or if the Boards of Directors of the Company require any other date prior or subsequent to 1st April 2012 and/or the High Court of Andhra Pradesh modifies the Appointed Date to such other date, then the same shall be the Appointed Date.
- 3.3 "Company" shall mean FOURTH GENERATION INFORMATION SYSTEMS LIMITED, a company limited by shares incorporated under the provisions of the Companies Act, 1956 and having its Registered Office at 1st Floor, Society Complex, MLA's Colony, Road No.12, Banjara Hills, Hyderabad, Andhra Pradesh.
- 3.4 "Accumulated Losses" shall mean losses amounting to Rs.129,207,766/- (Rupees Twelve Crores Ninety Two Lakhs Seven Thousand Seven Hundred And Sixty Six Only), proposed to be set-off against the issued, subscribed and paid up capital of the Company..
- 3.5 "Court" shall mean the Hon'ble High Court of Andhra Pradesh and shall include National Company Law Tribunal or any other appropriate forum or authority empowered to approve the Scheme as per the law for the time being in force.
- 3.6 "Effective Date" for the Scheme of Arrangement shall mean the date on which the certified copies of the order of the Hon'ble High Court of Andhra Pradesh under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956, if any, are filed




Managing Director/Director

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with the Registrar of Companies, Andhra Pradesh ("ROC") and if the certified copies are filed on different dates, the last of such dates.

"Record Date" means the date to be fixed by the Board of Directors or a committee of the Company for the purpose of allotment of shares pursuant to this Scheme.

- 3.8 Reference in the Scheme to "coming into effect of the Scheme" or "effectiveness of the Scheme" shall mean the Effective Date.
- 3.9 "Scheme of Arrangement" or "Scheme" or "The Scheme" or "This Scheme" means this Scheme of Arrangement in its present form or with any modification(s) approved, imposed, or directed by the Court.
- 3.10 The words "Shareholder" and "Member" are used to denote the same meaning and are used interchangeably in this Scheme.
- 3.11 Word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed.

All the terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as ascribed to them under the Act and other applicable laws, rules, regulations and byelaws as the case may be, including any statutory modification or re-enactment thereof from time to time.

4. EFFECTIVE DATE AND OPERATIVE DATE

The Scheme though operative from the Effective Date shall be effective from the Appointed Date.

5. INCORPORATION:

FOURTH GENERATION INFORMATION SYSTEMS LIMITED, a limited company incorporated in the State of Andhra Pradesh vide Certificate of Incorporation No.01-29999 issued by the Registrar of Companies, Andhra Pradesh at Hyderabad on 21.08.1998 (Twenty First Day of August One thousand Nine Hundred And Ninety Eight). The company is listed in Bombay Stock Exchange Limited.

6. CAPITAL STRUCTURE

The Authorized Share Capital of the Company as on 31.03.2012 is Rs.129,500,000/- (Rupees Twelve Crores Ninety Five Lakhs Only) divided into 6,47,50,000 Equity Shares of Rs.2/- each and the Paid-up Capital of the Company is Rs.124,734,000/- (Rupees Twelve Crores Forty Seven Lakhs Thirty Four Thousand Only) divided into 6,23,67,000 Equity shares of Rs. 2/- each.

For Fourth Generation Information Systems Limited


Managing Director/DIRECTOR





7. **MAIN OBJECTS OF THE COMPANY:**

The main objects of the Company are as follows:

1. To undertake, design & development, research of software systems, products and solutions in all areas of application including those in emerging niche segments like web- to-wireless, internet, intranet, websites, applications solution software, enterprise resources planning-commerce, value added products and other business applications either for its own use or for sale in India or for export outside India and to design, develop such systems and application software for or on behalf of manufactures, owners and users of computer systems, telecom, digital, electronic equipment in India or elsewhere in world.
2. To setup and run software/hardware training centers, software consultancy, system studies, management consultancy, techno economic feasibility studies of products, design and development of management information systems in India and outside India and to focus on identification, selection, training of software manpower for onsite placement in India and outside India for its own use and /or clients use and recruitment and job placement services in India or outside India.
3. To research, design, development, process setup, fabricate, manufacture, assemble, purchase, take on hire, import, of otherwise acquire, stock, erect, construct, maintain, manage, alter repair, renovate ,fit, improve, recondition, sell, hire, lend ,export, or otherwise dispose off and deal in electronic, electrical, telecommunication and software products.

8. **THE SCHEME:**

Upon the Scheme coming into effect, the unsecured loans and the share capital structure shall be restructured, reorganized, sub-divided and consolidated in the following manner:

a. **REDUCTION OF PAID UP CAPITAL AGAINST ACCUMULATED CAPITAL LOSSES.**


- i. The Company seeks to set off a loss of Rs. 11,22,60,600/- (Rupees Eleven Crores twenty Two Lakhs Sixty thousand Six hundred only) ("Accumulated Losses"), out of its total accumulated losses of Rs.129,207,766/- (Rupees Twelve Crores Ninety Two Lakhs Seven Thousand Seven Hundred And Sixty Six Only) ("Total Accumulated Losses"), against its Paid Up Capital of Rs.12,47,34,000/- (Rupees Twelve Crore Fourty Seven Lakhs Thirty Four thousand Only) resulting in a reduction of Rs.11,22,60,600 (Rupees Eleven Crores twenty Two Lakhs Sixty Thousand Six hundred only) from its Paid Up Capital.

For Fourth Generation Information Systems L.


Managing Director/Director



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ii. As a result of the aforesaid set off Rs. 11,22,60,600/- (Rupees Eleven Crores twenty Two Lakhs Sixty Thousand Six hundred only), the Paid-up Share Capital of the Company shall stand reduced from Rs.12,47,34,000/- (Rupees Twelve Crore Forty Seven Lakhs Thirty Four thousand Only) divided into 6,23,67,000 (Six crore Twenty Three lakhs Sixty seven thousand Only) Equity Shares of Rs.2/- (Rupees Two Only) each to Rs.1,24,73,400/- (Rupees One Crore Twenty Four Lakhs Seventy Three Thousand Four Hundred only) ("Remaining Capital") divided into 6,23,67,000 (Six crore Twenty Three lakhs Sixty seven thousand Only) Equity Shares of Re.0.2/- (Rupee "Twenty Paisa" Only) each.

iii. Simultaneously, every 50 (Fifty) of such Equity Share of the reduced face value of Re.0.2/- (Rupee Twenty Paisa Only) each shall stand consolidated into Rs.1,24,73,400/- (Rupees One Crore Twenty Four Lakhs Seventy Three Thousand Four Hundred only) divided into 12,47,340 (Twelve Lakhs Fourty Seven Thousand Three Hundred and Fourty) Equity Shares of Re.10/- (Rupee Ten Only) each., thus making the reduced Paid Up Capital of the Company to Rs.1,24,73,400/- (Rupees One Crore Twenty Four Lakhs Seventy Three Thousand Four Hundred only) divided into 12,47,340 (Twelve Lakhs Fourty Seven Thousand Three Hundred and Fourty) Equity Shares of face value of Rs.10/- (Rupee Ten Only) each.

iv. Consequently, every shareholder of the Company, whose name appears on the Register of Members on the Record Date, shall receive 1 (One) Equity Share of Rs.10/- (Rupees Ten Only) in lieu of every 50 Equity Shares of Rs.2/- (Rupees Two Only) each, held earlier in the Company. For example a person who is holding 100 (Hundred) Equity Shares of Rs.2/- (Rupees Two Only) each aggregating to Rs.200/- (Rupees two hundred Only) shall hold (after the reduction and consolidation) 2 Equity Shares of Rs.10/- (Rupees Ten) each aggregating to Rs.20/- (Rupees Twenty Only).

v. The reconstruction / restructuring of capital shall not cause any shareholder to hold any fractional shares in the Company. In respect of the fractional shares, if any, caused by the reconstruction / restructuring of capital, the same shall be transferred, without requiring any further action either on behalf of such shareholder or the Company, to a Trust formed for this purpose and the fractional shares shall be consolidated. The Independent Directors of the Company shall manage this Trust and the Compliance Officer / Company Secretary of the Company shall be the Secretary of the Trust and shall assist the Independent Directors in managing the affairs of the Trust. This Trust shall sell the consolidated shares in the market at the best available price in one or more lots. The

For Fourth Generation Information Systems Limited



decision of the Trust as to the timing and method of the sale and the price at which such sale has been given effect to, in that behalf shall be final and binding on all concerned. The Trust shall hold the net sale proceeds of all such shares after defraying there from all costs, charges and expenses of such sale and shall thereafter distribute such sale proceeds to the members of the Company in proportion to their fractional entitlements.

vi. For the purpose as aforesaid, the Company / Trust shall, if and to the extent required, apply for and obtain any approvals including that of the Reserve Bank of India and other concerned authorities, for the transfer of the fractional shares to the Trust and to pay the proportionate net sale proceeds of fractional entitlement as provided above.


vii. The re-organisation of the issued, subscribed and paid-up share capital of the Company as above shall be deemed to be in accordance with the provisions of Sections 100 to 104 of the Act and the same does not involve any financial outlay/outgoings on the part of the Company. The order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction without imposing a condition on the Company to add to its name the words, "and reduced". The provisions of Section 101 of the Act shall not be applicable.

b. CONVERSION OF UNSECURED LOANS INTO EQUITY:

i. As on the appointed date, the Company is having unsecured loans amounting to Rs.1,10,50,000/- (Rupees One Crore Ten Lakhs Fifty Thousand Only) ("Unsecured Loans") brought in by the Promoters/Directors of the Company. Out of which an amount of Rs.1,10,50,000/- (Rupees one Crore Ten Lakhs Fifty Thousand Only) is sought to be converted into 11,05,000 (Eleven Lakh Five Thousand Only) Equity Shares of Rs.10/- (Rupees Ten Only) each.

ii. As a result of such conversion of the Unsecured Loans into Equity Shares, the Issued, Subscribed and Paid Up Share Capital of the Company shall stand increased from Rs.1,24,73,400/- (Rupees One Crore Twenty Four Lakh Seventy Three Thousand Four Hundred only) divided into 12,47,340 (Twelve Lakhs Fourty Seven Thousand Three Hundred and Fourty) Equity Shares of the face value of Rs.10/- (Rupees Ten Only) each to Rs.2,35,23,400/- (Rupees Two Crore Thirty Five Lakh Twenty Three Thousand Four hundred Only) divided into 23,52,340 (Twenty Three Lakhs Fifty Two Thousand Three hundred and Fourty only) Equity shares of Rs.10/- (Rupees Ten Only) each.

For Fourth Generation Information Systems Limited


Managing Director/Director



c.

ISSUE OF 11,97,660 EQUITY SHARES OF RS.10/- EACH ON PREFERENTIAL BASIS TO STRATEGIC INVESTORS.

The Company shall issue and allot 11,97,660 (Eleven Lakhs Ninety Seven Thousand Six Hundred and Sixty) Equity Shares of Rs.10/- (Rupees Ten Only) each for cash at par aggregating to Rs.1,19,76,600 (Rupees One Crore Nineteen Lakhs Seventy Six Thousand Six Hundred only) to Strategic Investors as detailed below:

Sl No	Name of the Proposed Allottee	Category of Shareholder	Number of Equity Shares	Amount Rs.
1	M. Raghava Reddy	Public	100000	1000000
2	S. Jhansi	Public	150000	1500000
3	G. Srinivasa Raju	Public	100000	1000000
4	G. Sandhya Rani	Public	50000	500000
5	Vivek Surana	Public	75000	750000
6	R. Sambasiva Rao	Public	75000	750000
7	M. G. Srinivas Perabathula	Public	100000	1000000
8	Lakhmi Thuraga	Public	50000	500000
9	Narender Vaddey	Public	50000	500000
10	Dandu Bangarraju	Public	75000	750000
11	K.Venkata Ganga Rambabu	Public	50000	500000
12	N. Veerabhadram	Public	30000	300000
13	N. Subramanyaswari	Public	30000	300000
14	PSV Subramanyam	Public	62500	625000
15	A. Vijaya Laxmi	Public	25000	250000
16	Putta Ramu	Public	20000	200000
17	B Mastan Varaprasad	Public	20000	200000
18	Ch Srinivasa Rao	Public	15160	151600
19	Ch Bangara Raju	Public	50000	500000
20	S Shiva	Public	50000	500000
21	NVV satyanarayana	Public	20000	200000
	Total		1197660	11976600

d. COMPLIANCE OF REGULATORY AND PROCEDURAL REQUIREMENTS

- i. The consent of the members of the Company to this Scheme, when taken through a special resolution under the provisions of Section 391 of the Act shall be deemed to be the consent required for further issue of shares under Section 81(1A) of the Act and no further resolutions need be passed separately under the said Section 81(1A) of the Act in this regard.





- ii. Such equity shares to be issued and allotted by the company shall rank *pari passu* in all respects with the existing shares of the company, save and except in relation to dividends, if any, to which they may be entitled to only from the date of allotment.
- iii. The company shall follow the SEBI pricing guidelines as regards the allotment of shares in terms of the proposed scheme of arrangement. There shall be two allotments i.e. a) conversion of unsecured loans into equity and b) allotment of shares towards the fresh induction of funds by the promoters and others.
 - a) The Company shall, on the completion of six months from the date of listing of the shares issued under this Scheme of Arrangement, re-compute the price of the shares so issued in terms of the provisions of SEBI (ICDR) Regulations, 2009 Where it is required to consider the six months trading price data from the date of listing of the shares issued and arrive at the re-computed price of the shares issued; and
 - b) if the re-computed price so arrived at under the aforesaid regulations, exceeds the allotment price Rs. 10/- each, the excess amount arising on account of the re-computation of price shall paid by the respective allottees within three months of intimation thereof.
- iv. The Scheme sanctioned is fully in compliance of the Securities and Exchange Board of India Act ("SEBI") Act, rules and regulations and no further approval for the purposes of the effective implementation of the Scheme shall be required.

9. EFFECT OF THE SCHEME

The proposed reconstruction / restructuring of capital by converting the unsecured loans in to equity and reduction of paid up capital against capital accumulated losses and the further issue of additional shares pursuant to the Scheme shall be reflected in the books of Accounts of the Company, on the effective date, in the following manner.

Particulars	Prior to the Scheme of Arrangement	Proposed Reduction of capital against accumulated losses as per Scheme	Paid up capital post reduction and prior to consolidation	Paid up capital post reduction and after consolidation on Rs.10/- each	Proposed conversion of unsecured loans into Equity	Paid up capital post conversion of unsecured loans into Equity	Proposed Preferential allotment as per Scheme	After the Scheme of Arrangement as on the Effective Date
Name of Equity Shares	62,367,000	62,367,000	62,367,000	1,247,340	1,105,000	2,352,340	1,197,660	3,550,000
Value of each share	2.00	1.80	0.20	10.00	10.00	10.00	10.00	10.00
Total paid up share Capital	124,734,000	112,260,600	12,473,400	12,473,400	11,050,000	23,523,400	11,976,600	35,500,000
Profit & Loss A/c (Dr. Bal):	-129,207,766	-16,947,166	-16,947,166	-16,947,166	-16,947,166	-16,947,166	-16,947,166	-16,947,166

For Fourth Generation Information Systems Limited

[Signature]
Managing Director/Director



10. The share holding pattern of the Company, upon the approval of Scheme shall be in the following manner:

Particulars	Prior to the Scheme of Arrangement		After the implementation of the Scheme of Arrangement. (As on effective date)	
	No. of Shares (Rs.2 each)	% to total	No. of Shares (Rs.10 each)	% to total
Promoter's & Group	9,551,950	15.32%	1,296,039	36.51%
Institutions/ Mutual Funds etc	-	-	-	-
NRIs /OCBs	-	-	-	-
Domestic Co.,	-	-	100,000	2.82%
Public holding	52,815,050	84.68%	2,153,961	60.67%
Total	62,367,000	100.00%	3,550,000	100.00%

11. The Scheme, which is an arrangement between the Company and its Members under Section 391 and 394 of the Act, does not envisage transfer or vesting of any properties and / or liabilities to or in favour of the Company as contemplated in Section 394 of the Act.

12. The Scheme does not involve any conveyance of transfer of any property and consequently, the order of the Honorable High Court of Andhra Pradesh approving the Scheme will not attract any stamp duty, under the Andhra Pradesh Stamp Act, in this regard.

13. The Company shall make all applications / petitions as may be required under Section 391 to 394 of the Act to the High Court of Jurisdiction of Andhra Pradesh at Hyderabad, for convening and holding the meeting of the Equity Shareholders of the Company and for obtaining the sanction of the Court of this Scheme of Arrangement for reconstruction / restructuring of capital, under Section 391 to 394 of the Act and for such orders for carrying this Scheme into effect.

14. **IMPACT OF THE SCHEME ON EMPLOYEES/ WORKERS**

The Scheme shall not have any adverse impact on the employees/workers of the Company and they would, in fact be generally benefited as the infusion of fresh funds into the Company would help it to deploy the same in its business and thereby improve its financial position.

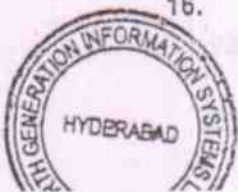
15. **IMPACT OF THE SCHEME ON SECURED CREDITORS / BANKS / FINANCIAL INSTITUTIONS.**

The Company does not have any Secured loans.

16. **LEGAL PROCEEDINGS**

The Scheme would not affect any legal or other proceedings by or against the Company.

For Fourth Generation Information Systems Limited





17. APPLICATION TO THE HIGH COURT OF ANDHRA PRADESH

This Scheme involves conversion of unsecured loans into equity, reduction of share capital as contemplated by regulation 56(a) of the Company's Articles of Association and issue of equity shares on preferential basis. Approvals of the shareholders and of the Honorable High Court Andhra Pradesh, pursuant to this Scheme under Section 391 and 394 of the Act are being sought as a measure of legal compliance, transparency and prudence.

18. MODIFICATIONS / AMENDMENTS OF THE SCHEME

The Company, by its Directors (including a Committee of Directors constituted for this purpose), may affect or assent to any modification or amendment of the Scheme which the Court and/or any other authorities under law may deem fit to direct or impose or which may otherwise be considered necessary or desirable by the Board of Directors of the Company for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme or otherwise as may be considered by the Board to be in the best interest of the Company and its members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme.

If any Part of this Scheme hereof is invalid, ruled illegal by any Court of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the Company that such Part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such Part shall cause this Scheme to become materially adverse to the Company, in which case the Company shall attempt to bring about a modification in the Scheme, as will best preserve the benefits and obligations of the Scheme, including but not limited to such Part.

19. THIS SCHEME IS SPECIFICALLY CONDITIONAL UPON AND SUBJECT TO:

19.1 The approval of and agreement to the Scheme by the requisite majorities of such classes of persons of the Company as may be directed by the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad on the applications made or directions under Section 391 of the said Act for calling meetings and necessary resolutions being passed under the said Act for the purpose;

19.2 The sanction of the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad being obtained under Section 391 and 394 of the Act and any other applicable provisions, if any, by the Company.

19.3 The Scheme shall come into effect in accordance to the sequence as provided below:

- a) The Conversion of the Unsecured Loans of Rs.1,10,50,000/- (Rupees One Crore Ten Lakhs Fifty Thousand Only) in to Equity Shares .

The writing/setting off of the Accumulated Losses against the issued, subscribed and paid up Share Capital of the Company.

The Board of Directors of the Company Systems Limited

[Handwritten Signature]

Managing Director/Director



- c) The consolidation of the issued, subscribed and paid-up share capital of the Company
 d) The preferential allotment of shares to the prospective investors of the Company.

20. **EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

- 20.1 In the event of any of the aforesaid sanctions and approvals not being obtained and/or the Scheme not being sanctioned by the High Court at Andhra Pradesh and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and Company shall bear and pay the costs, charges and expenses for/or in connection with the Scheme.
- 20.2 If, in the opinion of the Board of Directors of the Company, any part of the Scheme is found to be unworkable for any reason whatsoever, the same shall not affect the validity or implementation of other parts or provisions of the Scheme.

21. **EXPENSES CONNECTED WITH THE SCHEME**

All Costs, charges, expenses, taxes, duties levies and fees, if any, arising out of or incurred in carrying out and implementing the provisions of and giving effect to this Scheme, shall be borne and paid by the Company.

22. **CANCELLATION OF SHARES**

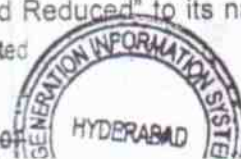
Upon this Scheme becoming finally effective, all the shareholders, if so required by the Company, shall surrender their share certificates for cancellation thereof. Notwithstanding anything to the contrary, upon the issue of the new share certificates in the Company to the Shareholders whose names shall appear in the Register of Members of the Company on such Record Date fixed as aforesaid, the old share certificates held by them in the Company shall be deemed to have been automatically cancelled and cease to be negotiable and be of no commercial or legal value, on and from the Record Date. The Company may instead of requiring the surrender of the old share certificates, as above, directly issue and dispatch the new share certificates of the Company in lieu thereof. In the case of shares held in dematerialised and electronic form, the required procedure for reflecting the change in the holdings of the members of the Company, as a consequence of the sanctioning of this Scheme, shall be adopted for making the necessary alterations in the Depository Accounts of the shareholders.

23. **LISTING OF SHARES:**

Notwithstanding the reduction of Capital of the Company and issue of new Equity Shares in pursuance of this Scheme, the listing benefit of the Company, for the existing shares as well as the new shares being issued in pursuance of this Scheme, on all or any of the Stock Exchanges where the existing Equity Shares of the Company are listed shall continue.

24. Notwithstanding the reduction of capital of the Company in pursuance of this Scheme, the Company shall not be required to add the words "And Reduced" to its name as the last words thereof.

[Signature]
 Managing Director/Director



23/1/13
 SUPERINTENDENT
 COPIST DEPARTMENT
 High Court of A. P.
 HYD.E.R.A.B.A.D.

THE HON. THE CHIEF MINISTER, HYDRABAD
 HYDRABAD
 CA No. 29 2013
 Application No. 27-12 2013
 Application No. 2013
 Application No. 2013
 Start Date 22-1-2013
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 Adm. No. 2013
 Adm. No. 2013
 Co. No. 23-1-2013
 Section Officer