

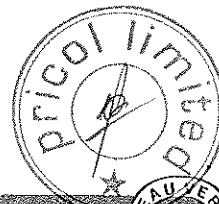


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Rationale of the Scheme

- a) The Transferor Company and Transferee Company are engaged in lines of business in the automotive sector;
- b) The Transferee Company is a leading manufacturer of automotive products catering to the needs of vehicle manufacturers and replacement market in India and abroad; It has good capabilities in managerial, engineering and financial areas;
- c) The Transferor Company is dealing with automotive accessories, including manufacturing and contract manufacturing and has an established network through its 15 branches and 3 warehouses situated across the country. The Transferor Company has strengths in distribution, sales and after sales services through its network across India. Over a period of time, it has established its "Xenos" brand in the after-market space.
- d) An Analysis of the Auto Industry indicates that significant majority of accessories requirement is Direct to Vehicle Makers (OEM), Sale at Vehicle Makers showrooms under OEM brand name (OES) and Sale at Vehicle Makers showrooms under supplier brand name (DFS) and lately through the E-commerce platform, from the earlier dominance of the after-market channel. These market segments, hitherto untapped by the Transferor Company, can be tapped using Transferee Company's technical and managerial capabilities combined with the long standing and deep ties that the Transferee Company has with Vehicle Makers.
- e) The amalgamation will help the Transferee Company in creation of platform for a new business vertical and to act as a gateway for growth and expansion of business operations.
- f) The Transferor Company's products synergize well with the product groups of the Transferee Company like Driver Information Systems and Asset Management Products. The amalgamation would thus lead to improved customer connect and enhanced market share across product segments.
- g) By this amalgamation and through enhanced base of product offerings, the Transferee Company would serve as "One-Stop Solution Provider" for that range to the Original Equipment Manufacturers.



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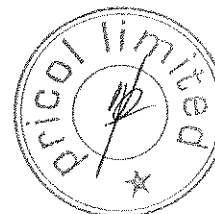


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- h) The proposed amalgamation of the Transferor Company with the Transferee Company in accordance with this scheme would enable companies to realize benefits of greater synergies between their businesses and avail of the financial, managerial, technical, distribution and marketing resources of each other towards maximizing stakeholder value.
- i) The amalgamation will result in higher value proposition for the products and operations currently being done by the Transferee Company. Synergy of operations will result in benefits such as sustained availability and better procurement terms of components. Pooling of resources in manufacturing, engineering manpower, office space and other infrastructure will lead to better utilization and avoidance of duplication of facilities. Enhanced access to marketing networks/customers, reduction of administrative work etc will also lead to higher cost efficiencies.

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T.G.Thamizhanban
Company Secretary



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