



SCHEME OF ARRANGEMENT OF FOURTH GENERATION INFORMATION SYSTEMS LIMITED

BETWEEN IT'S 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




[Signature]
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:

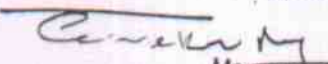
- i. The Company has incurred heavy losses and completely eroded its Net Worth. The Scheme will result in making its Net Worth positive.
- ii. The Scheme will enable the Company to overcome its financial difficulties and improve its working in the future.
- iii. The improved financial resources of the 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.

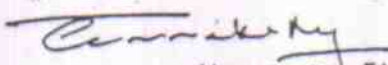
8. THE SCHEME:

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




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.



