

# SCHEME OF REDUCTION OF CAPITAL

BETWEEN

ADI RASAYAN LIMITED

AND

ITS

SHAREHOLDERS

This scheme of Reduction of Capital is presented under Sections 100 to 104 and other applicable provisions, if any, of the Companies Act, 1956 for undertaking financial restructuring of ADI RASAYAN LIMITED ("The Company" or "ARL") whereby ARL would create Capital Restructuring Account by reducing the Equity share capital to adjust part of the debit balance in Profit and Loss Account as detailed in the Scheme as under.

## PART I - PREAMBLE

### 1. Back ground

ADI RASAYAN LIMITED, a company registered under the Companies Act, 1956 having its registered office at G/C, Ground floor, Trupti Apartment, B/H. Old High Court, Navarnagpura, Ahmedabad - 380009 and was incorporated with an object of manufacture and trading of all kinds of chemical, (organic and inorganic), and other compounds, raw materials and chemicals, and, dyes and pigments and intermediates thereof for industrial and consumer use, derivatives and bye-products thereof and products to be made therefrom and products derived from phosphate mines, limestone, quarries, bauxite mines, petroleum, natural gas and other natural deposits useful or suitable in the manufacture of any chemicals and chemical products related and generally products and articles of any nature and kind whatsoever.

There is no manufacturing activity in the recent past. Presently, the company is engaged in the business of trading and commissioning of various goods and merchandise on small scale.



The share capital structure of the Company as on March 31, 2015 is as follows:

Authorised Share Capital:	Rs.
70,00,000 Equity Shares of Rs. 10/- each.	7,00,00,000
Issued, subscribed and paid up Share Capital	
69,19,700 Equity Shares of Rs.10/- each fully paid up	6,51,97,000

A summarized view of the financials of the Company as per Audited Balance Sheet as at 31<sup>st</sup> March, 2015 are as under:

PARTICULARS	AMOUNT ( In Rupees)
Paid up Capital	6,51,97,000
Non Current Liabilities	1,07,41,851
Deferred Tax Liability	731
Current Liabilities	10,005
Net Fixed Assets	25,210
Current Assets	4,93,829
Revenue from Operations	1,66,725
Indirect Income	39,69,649
Total Revenue	41,36,374
Expenditure	39,21,450
Profit before tax for the year	2,14,924
Tax Expenses	(1,029)
Profit after Tax for the year	2,15,953
Accumulated Losses	(7,54,29,548)

As per the last audited Balance Sheet as at 31<sup>st</sup> March, 2015, the Company has accumulated losses of Rs. 7,54,29,548/- .

Due to heavy losses incurred by the Company during last few years, the capital of the company has been eroded and the net worth has become negative.

The promoter of the Company planned strategy to revive the Company with the financial help Business associates.



The Board of Directors of the Company propose to reduce share capital in accordance with Sections 100-104 of the Companies Act, 1956 to reflect its assets and liabilities at their real value and maximize its business value.

## Part II-DEFINITIONS

### 2. Definitions

In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meaning:

- A "Act" means the Companies Act, 1956 and/or the Companies Act, 2013, as applicable, and the rules and regulations made there under and will include any statutory modifications, re-enactments and/ or amendments thereof from time to time.
- B "Accumulated Losses" means and include the total amount shown under the head "Profit and Loss Account" as appearing in the audited balance sheet of the Company as at 31<sup>st</sup> March, 2015
- C "Board" means Board of Directors of the Company, as the case may be.
- D "Company" means "ADI RASAYAN LIMITED".
- E "Court" Or "High Court" means the High Court of Judicature at Ahmedabad at Gujarat and shall include the National Company Law Tribunal as Applicable.
- F "Capital Restructuring Account" means the special account created by transferring amount from the Paid up Equity Share Capital of the Company for the purpose of this Scheme and to be utilized for writing off Accumulated Losses of the Company in accordance with Clause 5 at the Scheme.
- G "Effective Date" means the last of the dates on which all the conditions and matters referred to in Clause 11 of this Scheme occur or have been fulfilled or



waived in accordance with this Scheme. References in this Scheme to date of 'coming into effect of the Scheme' or 'effectiveness of the Scheme' shall mean the Effective Date.

- H **"Equity Shares"** means fully paid equity shares of Rs. 10/- each issued by the Company till the effective date and post effective date, number of fully paid up Equity shares will be reduced.
- I **"Financial Statements"** would include stand alone quarterly/annual accounts of the Company (including balance sheet, cash flow statements, profit and loss account) and other financials published along with annual accounts, and quarterly/public reported financial statements of the Company.
- J **"Record Date"** means the date(s) to be decided by the Board of Directors or a committee for the purpose of giving effect to the orders of the Hon'ble High Court sanctioning the Scheme.
- K **"This Scheme or The Scheme or Scheme"** means this Scheme of Arrangement for restructuring of capital as provided herein its present form or with such alterations/modifications as may be approved or imposed or directed by the any of the Regulatory Authorities and may be approved by Hon'ble High Court .
- L **"Shareholder"** means a person holding Equity Shares, who is registered as a member in the Register of Members of the Company.
- M **"Stock Exchange"** means BSE Limited, the stock exchange on which the shares of the Company are listed.



All terms and words not defined in the scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, Securities Contract Regulation Act, 1956, Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, Listing Agreement and other applicable laws, rules, regulations, bye laws, as the case may be or any statutory modifications or re-enactment thereof from time to time.

### PART III - OBJECTIVE OF THE SCHEME

3. Broadly, the objectives of the financial restructuring are as under:
- a. Since writing off losses has become inevitable for growth of the Company and its shareholders, the Company is now proposing to undertake a financial restructuring exercise whereby the Company would create a "Capital Restructuring Account" from its paid up Equity Share capital whereby the Company would write off Part off its debit alance of Profit and Loss Account.
  - b. The reduction of capital in the manner proposed would enable the Company to have a rational capital structure which is commensurate with its remaining business and assets.
  - c. The financial restructuring will help the Company to reflect better its operational efficiency, improvements in the future years and reflect the true shareholder value.
  - d. The restructuring will also not cause any prejudice to the creditors of the Company. For stake of clarity, it is specified that the reduction in Share Capital does not involve either the diminution of any liability in respect of any unpaid capital or the payment to any shareholder of any paid-up capital nor is any call being waived. The Creditors of the Company are in no way affected by the proposed restructuring by way of the reduction of capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors. Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the



Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

- e. There is no cash outflow from the Company.
- f. Hence, the proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as a whole.
- g. Accordingly, The Board of Directors of the Company at their meeting held on 28<sup>th</sup> September, 2015 has considered necessary to carry out financial restructuring so as to show a true and fair view of the Balance sheet and operate with a leaner base Balance Sheet.

#### PART IV - APPLICABILITY OF THE SCHEME

##### 4. Applicability of the Scheme of Arrangement:

- (i) The existing issued, subscribed and paid up Equity share capital of the Company shall be reduced from Rs.6,51,97,000/- divided into 65,19,700 Equity Shares of Rs. 10/- (Rupees Ten only) each fully paid up to Rs. 32,59,850/- divided into 3,25,985 Equity Shares of Rs. 10/- (Rupees Ten only) each and that such reduction be effected by canceling of 61,93,715 Equity Shares of Rs. 10/- each amounting to Rs. 6,19,37,150/- which is lost or un-represented by the available assets i.e. Debit balance in Profit and Loss Account
- (ii) Consequent upon Reduction, the Equity Share Capital of the company will be Rs. 32,59,850/- divided into 3,25,985 Equity Shares of Rs. 10/- (Rupees Ten only) each.
- (iii) Consequent upon reduction, the accumulated losses will be Rs. 1,34,92,398/-



(iv) An Equity share holder holding 100 Equity shares of Rs.10/- each, then post reduction, he will get it 5 new Equity shares of Rs.10/- each. The face value of Equity share will remain at Rs.10/- only.

(v) The details of Pre and post reduction of Capital and accumulated losses are as under.

Particulars	Pre Reduction of Capital	Post Reduction of Capital
Number of Equity Shares	65,19,700	3,25,985
Value of each Share (Rs.)	10	10
Total Paid up Capital (Rs.)	6,51,97,000	32,59,850
Accumulated losses ( Rs.)	7,54,29,548	1,34,92,398

(vi) The pre and post shareholding pattern of the Company, upon the approval of Scheme shall be in the following manner:

Shareholding pattern	Pre Reduction		Post Reduction	
	No. of shares	% of holding	No. of Shares	% of holding
Promoter	0	0.00	0	0.00
Public	65,19,700	100.00	3,25,985	100.00
Custodian	-	-	-	-
TOTAL	69,19,700	100.00	3,25,985	100.00

There is no change in the percentage (%) of the shareholders holding of the company.

(vii) **Treatment of Fractional Shares.**

A In case any member's holding in the Company is such that the member becomes entitled to a fraction of an equity share of the Company, then the Company shall not issue fractional share certificates to such member but shall instead consolidate all such fractional entitlements to which the members of the



Company may be entitled on the issue and allotment of equity shares of the Company and allot consolidated equity shares to a Director nominated by the Company in that behalf.

- B The Director nominated by the Company as above shall, at his discretion, sell such shares in the open market and distribute the net sale proceeds (after deduction of the expenses incurred) to the shareholders respectively entitled to the same in proportion to their fractional entitlements.
- (viii) The shares issued to the members of the company pursuant to clause as above shall be issued in dematerialized form by the Company, unless otherwise notified in writing by the shareholders of the company on or before such date as may be determined by the Board of Directors of the Company or a committee thereof. In the event that such notice has not been received by the Company in respect of any of the members of the Company, the shares shall be issued to such members in dematerialized form provided that the members of the Company shall be required to have an account with a depository participant and shall provide details thereof and such other confirmations as may be required, it is only thereupon that the Company shall issue and directly credit the dematerialised securities to the account of such member with the shares of the Company. In the event that the Company has received notice from any member that shares are to be issued in certificate form or if any members has not provided the requisite details relating to the account with depository participant or other confirmations as may be required, then the Company shall issued shares in certificate form to such member.

(ix) The Scheme shall come into operation from the Effective Date.

## **PART V- FINANCIAL RESTRUCTURING AND ACCOUNTING TREATMENT**

### **5. CREATION AND UTILISATION OF CAPITAL RESTRUCTURING ACCOUNT**

Pursuant to the Scheme of Reduction of capital, the treatment in the books of accounts of the Company will be as follows:





On the Effective Date

- i. A sum of Rs. 6,19,37,150/- upon reduction from existing Equity Capital of Rs.6,51,97,000/- divided into 65,19,700 Equity Shares of Rs.10/- (Rupees Ten) each fully paid up to Rs.32,59,850/- divided into 3,25,985 Equity Shares of Re.10/- (Rupees Ten) each be transferred to "Capital Restructuring Account.
- ii. As referred above, the issued, subscribed and paid up Equity Share capital of the company, post reduction, will be Rs.32,59,850/- divided into 3,25,985 Equity Shares of Rs.10/- (Rupees Ten) each.
- iii. Part of the balance of Accumulated Losses amounting to Rs. 6,19,37,150/- as at 31<sup>st</sup> March, 2015, be transferred to "Capital Restructuring Account".
- iv. The Company shall comply with all the Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.
- v. To the extent of the amount transferred to the Capital Restructuring Account under this Para above, there shall be reduction of share capital of the Company, which shall be effected as an integral part of the Scheme in accordance with the provisions of Sections 100 to 104 of the Act, without involving either diminution of liability in respect of the unpaid share capital or payment to any shareholder of paid up share capital.
- vi. Notwithstanding the reduction as mentioned above, the Company shall not be required to add "and reduced" as suffix to its name and the Company shall continue with its existing name.
- vii. The form of the minute proposed to be registered under Section 103(1) (b) of the Companies Act is as follows

The Capital of Adi Rasayan Limited is henceforth Rs.32,59,850/- (Rupees Thirty Two Lacs Fifty Nine Thousand Eight Hundred Fifty only) divided into 3,25,985 Equity Shares of Rs.10/- each fully paid up reduced from Rs.6,51,97,000/- (Rupees Six Crore Fifty One Lacs Ninty Seven Thousand only) divided into 65,197,00 Equity Shares of Rs.10/- each effected by cancelling 61,93,715 Equity Shares of Rs. 10/- each amounting to Rs.6,19,37,150/-. At the date of this registration of this minute 3,25,985 Equity shares numbered 01 to 3,25,985 have been issued and are deemed to be fully paid up.

## 6. CONDUCT OF BUSINESS



- 6.1 Nothing contained in the Scheme shall affect the conduct of business of the Company and for any deeds, bonds, contracts, agreements and any other instruments to which the Company is a party and/or all legal or other proceedings by or against the Company.
- 6.2 Further, nothing contained in the Scheme shall affect the existing rights of the creditors, workers and employees of the Company.

## **PART VI - GENERAL TERMS AND CONDITIONS**

7. In term of clause 24(f) of the Listing Agreement, the Company, being a listed Company, will file application with the stock exchange for obtaining No-Objection / Observation Letter for reduction of share capital.
8. The scheme is only for reduction of capital of the Company and it does not envisage transfer or vesting of any properties and/ or liabilities to or in favour of the Company.
9. The Company needs to obtain Share holders Approval by way of a Special Resolution, as per the provisions of Section 100 of the Companies Act, 1956 and the same will be complied with once the company gets observation letter from BSE Limited under clause 24(f) of the Listing Agreement.
- 10. MODIFICATION OR AMENDMENTS TO THE SCHEME**
- 10.1 The Company through their Board of Directors may consent on behalf of all persons concerned to any modifications or amendments of this Scheme or to any conditions which the Court and/or any other authorities under law may deem fit to approve of or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for carrying out the Scheme and do all acts, deeds and things as may be necessary, desirable or expedient for putting this Scheme into effect.
- 10.2 However no modifications and / or amendments to the Scheme can be carried out or effected by the Board of Directors without approval of the Court



10.3 For the purpose of giving effect to this Scheme or to any modifications thereof, the Directors of the Company are authorized to give such directions and/or to take such steps as may be necessary or desirable including any directions for settling any question or doubt or difficulty whatsoever that may arise.

10.4 The Company shall take such other steps as may be necessary or expedient to give full and formal effect to the provisions of this Scheme.

#### 11 CONDITIONALITY OF THE SCHEME:

This Scheme is conditional upon and subject to:

11.1 the Scheme being agreed to by the respective requisite majorities of the various classes of members and creditors of the Company as required under the Act and the requisite order of the Hon'ble High Court being obtained;

11.2 such other sanctions and approvals as may be required by law in respect of this Scheme being obtained; and

11.3 the Certified copies of the court orders referred to in this Scheme being filed with the Registrar of Companies, Gujarat at Ahmedabad.

#### 12 BINDING EFFECT:

Upon the Scheme becoming, effective the same shall be binding on the Company and all concerned parties without any further act, deed manner or thing.

#### 13 APPLICATION TO HIGH COURT:

The Company shall make necessary applications before the High Court of judicature of Gujarat at Ahmedabad for the sanction of this Scheme under Sections 100 to 104 of the Companies Act, 1956



**14 EFFECT OF NON-RECEIPT OF APPROVALS:**

14.1 In case the Scheme is not sanctioned by the Hon'ble High Court of judicature at Gujarat or such other Competent Authority or in the event any of consents, approvals, permissions, resolutions, agreements, sanctions or conditions enumerated in the Scheme not being obtained or complied or for any other reason, the Scheme cannot be implemented, the Scheme shall become null and void.

14.2 The Board of Directors may withdraw the Scheme at any time should they consider appropriate to do so.

**15 COSTS, CHARGES & EXPENSES:**

Upon the sanction of this Scheme by the High Court, all costs (including but not limited to stamp duty, registration charges, etc.) in relation to the Reduction of Capital shall be borne by the Company.

