

SCHEME OF REDUCTION OF CAPITAL

BETWEEN

KOTHARI INDUSTRIAL CORPORATION LIMITED

AND

ITS SHAREHOLDERS

Scheme for reduction of capital of Kothari Industrial Corporation Limited

This Scheme is divided into the following paragraphs:

- (A) **Part I** - Definitions and Interpretations;
- (B) **Part II** - Background of Kothari Industrial Corporation Limited (*including its capital structure*);
- (C) **Part III** - reduction of share capital of Kothari Industrial Corporation Limited; and
- (D) **Part IV** - General Clauses and other Terms and Conditions.

PART I

1. Definitions

In the Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the meaning as mentioned herein below:

- 1.1. "**Act**" shall mean the Companies Act, 2013 and shall include any rules, regulations, orders, statutory modification, amendment or re-enactment thereof from time to time;
- 1.2. "**Allottees**" shall mean the persons set out in Schedule I to Part IV of this Scheme;
- 1.3. "**Board**" or "**Board of Directors**" shall mean Board of Directors of the Company and shall, unless it is repugnant to the context or otherwise, include a committee of directors or any person authorized by the board of directors or such committee of directors;
- 1.4. "**BSE**" shall mean the BSE Limited;
- 1.5. "**Company**" shall mean Kothari Industrial Corporation Limited, a company incorporated on July 1, 1970 under the Companies Act, 1956 and having corporate identification number L24110TN1970PLC005865 and its registered office at Kothari

Buildings, 20, Nungambakkam High Road, Chennai, Tamil Nadu 600034.

- 1.6. "**DSE**" or "**Designated Stock Exchange**" shall mean a Stock Exchange which is chosen by the Company in accordance with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR**"), as amended from time to time, and for the purpose of the Scheme, BSE Limited is the DSE;
- 1.7. "**Effective Date**" for the Scheme shall mean the date on which certified copies of the order of the NCLT under Section 66 of the Act, read with National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 and other applicable provisions of the Act (to the extent applicable), are filed with the Registrar of Companies and if the certified copies are filed on different dates, the last of such dates;
- 1.8. "**Equity Shares**" shall mean fully paid-up equity shares of Rs.5 (Rupees five only) each issued by the Company;
- 1.9. "**Fresh Equity Shares**" shall have the meaning as defined in clause 5.12 herein below;
- 1.10. "**NCLT**" shall mean the Hon'ble National Company Law Tribunal, Chennai;
- 1.11. "**RoC**" shall mean the Registrar of Companies, Chennai;
- 1.12. "**Rules**" shall mean the National Company Law Tribunal (Procedure for reduction of share capital of Company), Rules, 2016 as amended from time to time, and other applicable rules;
- 1.13. "**SEBI**" shall mean the Securities and Exchange Board of India;
- 1.14. "**Shareholder**" shall mean a person holding Equity Shares who is registered as a member in the Register of Members of the Company; and

- 1.15. **"this Scheme"** or **"the Scheme"** or **"Scheme"** shall mean this Scheme of reduction of capital between the Company and its Shareholders in its present form or with such alterations/ modifications as may be approved, imposed or directed by the NCLT of the relevant jurisdiction under applicable laws.

The expressions, which are used in this Scheme and not defined in this Scheme shall, unless repugnant or contrary to the context or meaning hereof, have the same meaning ascribed to them under the Act and other applicable laws, rules, regulations and bye-laws, as the case may be, including any statutory modification or re-enactment thereof, from time to time.

PART II

2. Details of the Company

2.1. Incorporation of the Company

The Company was originally incorporated on July 1, 1970 under the Companies Act, 1956 as a public limited company under the name and style "*Kothari (Madras) Limited*". On April 10, 1984, the Company changed its name from "*Kothari (Madras) Limited*" to its current name i.e. "*Kothari Industrial Corporation Limited*" and obtained a fresh certificate of incorporation consequent upon change of name issued by Assistant Registrar of Companies, Tamilnadu.

The registered office of the Company is at Kothari Buildings, 114, Nungambakkam High Road, Chennai, Tamil Nadu 600034.

The Company is *inter alia* engaged in the business of manufacturing and mixing of fertilisers and has a network of distributors in the southern states and has developed a brand value recognised in the market place. The Company has planned to develop a Container Terminal at Ennore.

The Equity Shares are currently listed on the BSE. However, since the year 2000, the Equity Shares are suspended from trading on the BSE for non-payment of listing fees, which payment has since been made.

This Scheme is made in pursuance of Section 66 of the Act read with the Rules and other applicable provisions of the Act (to the extent applicable) and provides for the purpose of reduction of the paid-up share capital pertaining to issue of preferential allotment of equity shares.

2.2. Main Objects of the Company

The Main Objects of the Company, as set out in the Memorandum of Association are as follows:

1. *To acquire and take over the entire undertakings and assets and liabilities of all or any of the following companies namely:-
(i)Blue Mountain Estates and Industries Limited;
(ii)Waterfall Estates Limited;
(iii)Balmadies Plantations Limited;
(iv)Kothari Textiles Limited; and
(v)Adoni Spinning & Weaving Company Limited.
by schemes of arrangement and amalgamation or otherwise and to carry on the business carried on hitherto by them.*
2. *To acquire by purchase or otherwise and to carry on the business of estate owners, cultivators, planters, growers and manufacturers, of sellers and dealers in tea, coffee, cardamom, pepper, spices, rubber and gutta-percha and gums of every description, com, cocoa, rice, oil copra, coconuts, sugar, plantations, cinchona, grains, paddy, cereals, cotton, vegetable, agricultural and horticultural products hereinafter referred to as plantation, horticultural and agricultural produce and manufacture, dispose of, buy, and deal in the said products.*
3. *To purchase, cultivate, plant, treat, cure, prepare, manipulate, submit to any process of manufacture and render marketable, whether on account of the Company or others, all kinds of plantation, horticultural and agricultural produce including coffee, cardamom, tea, rubber, pepper or other such products or produce and to sell and export*

products, articles and things either in a prepared, manufactured or raw state and either wholesale or in retail.

4. *To carry on the business of agriculturists, horticulturists, planters, and cultivators in all their branches, and the business of coffee curers in all its branches.*

4(a)1 To promote, establish, improve, develop, administer, own and run industries, projects, enterprises, programmes for manufacturer, processing and/or preservation of agricultural produce, improvement and manufacturing of growth medium, soil nutrients, manufactured soil, programmes for processing and preservation of agricultural produce, forest produce, and products of pisciculture, sericulture, apiculture and of animal origin for purposes of increasing quality or availability or otherwise of goods and subsidiary foods in all their forms and variations, either for export or consumption in the country.

- 2 *To promote, establish, improve, develop, administer, own and run agro-industries, horticultural industries, forestry, pisciculture industry, sericulture industry, apiculture industry, poultry farming, projects or enterprises or programmes for manufacture or production of plant, machinery, implements, accessories, tools, materials, substances, goods or things of any description, which in the opinion of the Company will help the growth and modernisation of agriculture, horticulture, forestry, pisciculture, sericulture, apiculture, poultry farming and animal husbandry.*

- 3 *To carry on the business of cultivators of all kinds of seeds, process the same and carry on all activities connected therewith.*

- 4 *To manufacture, process, prepare, preserve, can, refine, bottle, buy, sell and deal, whether as wholesalers or retailers or as exporters or importers or as principals or agents, in foods, meats, eggs, poultry, vegetables, canned and tinned and processed goods, protein, health and instant foods of all kinds*

including, baby and dietetic foods, cereals, beverages, cordials, tonics restoratives and aerated mineral waters and food-stuffs and consumable provisions of every description for human or animal consumption. To carry on the business in all natural, artificial, synthetic or chemical, edible food colour.

5. *To carry on the business in all their branches of spinning and weaving mills and of spinners, weavers, bleachers, dyers, printers and finishers of cotton, silk, wool, rayon, natural and synthetic fibres and fibrous substances of all kinds.*

5(a)1 To carry on the business of manufacturers, importers and exporters, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel of every kind, nature and description including shirts, bush-shirts, pyjama suits, vests, underwear, suits, foundation garments for ladies dresses, brassieres, maternity belts, knee caps, coats, panties, nighties and so on.

2 To carry on the business of manufacturers, importers and exporters wholesale and retail dealers of and in hosiery goods of every kind, nature and description, for men, women, and children including vests, underwear, socks, stockings, seaters, laces and so on and of all or anything which is used in hosiery goods.

3 To carry on all or any of the business of dealers and manufacturers of all kinds of threads, carpets, durries, mats, rugs, namdas, blankets, shawls, tweeds, linens, flannels and all other articles of woollen and worsted materials and of all articles similar to the foregoing or any of them or connected therewith.

6. *To purchase or otherwise acquire or take on lease any land or building in India or elsewhere in any part of the world and to work and to construct on such land, buildings houses and sheds, necessary and adapted to the working of spinning and weaving mills, jute mills, and cotton press and ginning factories to provide machinery, engines and apparatus requisite for the construction of such mills and factories and for the due and efficient working thereof, to buy raw cotton, wool, jute, silk and other fibrous substances and to spin, weave and work and to*

clean, pack the same and sell the materials so manufactured and to do and perform all such acts and things as may be necessary and conducive to the attainment of the above objects or any of them.

7. *To carry on the business of manufacture, import, export, purchase, sale and as sales agents in fertilisers of all kinds including chemical and natural fertilisers and mixtures thereof.*
8. *To process, alter, improve, manipulate and prepare for market by-product or intermediate product arriving from or in the course of any of the manufacturers carried on by the Company or of any product derived from or resulting from carrying on any Plantation, Agricultural or Horticultural activities and to manipulate any goods in which such by-products or intermediate products can be utilised or put to profit.*
9. *To carry on the business of manufacturers, processors, dealers, agents, importers, exporters, merchants, distributors and stockiest of sulphuric acid and super-phosphate and other chemicals of all kinds in all its branches.*
10. *To carry on the business of importers, manufacturers and dealers in chemicals, drugs, insecticides, disinfectants, pharmaceuticals, industrial and other preparations and things of any kind whatsoever.*
11. *To prepare, manipulate, render marketable any of the products which the Company is authorised to manufacture, deal or produce.*
12. *To take on lease, hire, purchase or on license or otherwise acquire any lands, plantations, rights over or connected with lands, mills, factories, works, vessels, boats, barges, lorries, cars and any other mode of transport, apparatus and stock in trade which may be deemed necessary or convenient for any of the business which the Company is authorised to carry on.*
13. *To carry on the business of manufacture of sugar in all its branches.*
14. *To purchase, manufacture, produce, boil, refine, prepare, import,*

export, sell and generally to deal in sugar, sugar-candy, jaggery, sugar-beet, sugar-cane, bagasse, molasses, syrups, malada, alcohol, spirits and all sugar products such as confectionery, glucose, sugar-candy, canned fruit, golden syrup and aerated waters and /or by-products such as bagasse, boards, paper pulp, paper, butyl alcohol, acetone, carbon-di-oxide, hydrogen, potash, canvas and fertilisers and food products generally, and in connection therewith to acquire, construct, operate factories for the manufacture of sugar or any of its products or by-products and acquire or manufacture machinery for any of the above purposes.

15. *To cultivate, plant, produce and raise or purchase sugar-cane, sorghum, sugar-beet, sago, dates, palmyra juice and other crops or raw materials and to transact such other work or business as may be proper, necessary or desirable in connection with the above objects or any of them.*
16. *To carry on the business of brewers and maltsters in all its branches, and to carry on the manufacture of yeast and yeast-products, citric acid and all or any products within the use or for the utilisation of any by-products resulting in the course of manufacture of the same.*
17. *To carry on, in all or any of their branches, all or any of the business, namely, manufacturers of and dealers in all kinds of cotton and synthetic hosiery goods and worsted and woollen goods and goods made of jute, hemp, flax, cellulosic fibres, synthetic polymers, metallic fibres, glass fibres, protein fibres rubber, fibres, rayon and all kinds of man-made and other fibres or fibrous substances, natural or otherwise; manufacturers of and dealers in welding flux and powders, vitriol, bleaching and dyeing materials, resins, chemicals and bichromate plant products; manufacturers of and dealers in all kinds of cloth, fabrics and garments, dyers, finishers and dressers, manufacturers of and dealers in leather and leather goods.*
18. *To carry on in all or any of its branches, the business of manufacturers, processors, dealers, importers and exporters of timber, forest products, coir and composites; plastics and plastic products, P.V.C. pulps and fibres and sell generally all such materials and forest products.*

19. *To carry on in India or elsewhere the business of acting as consultants and advisers in respect of matters relating to technical, operational, industrial know-how, project and/or design engineering, scientific and other research, feasible studies, financial budgetary control, taxation, legal, industrial and labour relations, company promotion formation and registration and all other matters in any way connected or concerned with or relating thereto.*
20. *To carry on the business of electrical engineers, electricians, engineers, contractors, manufacturers, constructors, suppliers of and dealers in electrical and electronic equipment and other appliances, cable wire lines, dry cells, automotive batteries, electric batteries, nickel cadmium cells, photo flash cells and electric cells of all descriptions including train lighting cells, dry and leak proof batteries, air-conditioning apparatus and refrigerating apparatus and appliances in all or any of their details and branches and processes.*
- 20-A *To carry on the business of manufacturers, assemblers, importers and exporters, dealers and merchants of watches, wrist watches, time-pieces, clocks, electronic watches and other instruments for measuring time, chronometers and horological instruments, time- controlled mechanisms including time-fuses, components and spare parts thereof.*
21. *To carry on business as manufacturers of chemicals in all its branches, gas makers, metallurgists, and mechanical engineers, ship-owners and charterers, and carries by land and sea, wharfingers, and warehousement barge-owners, and so far as may be deemed expedient the business of general merchants; and to carry on any other business whether manufacturing or otherwise, which may seem to the Company capable of being conveniently carried on in connection with the above, or calculated directly or indirectly to enhance the value of or render profitable any of the Company's property or rights*
22. *To carry on business as merchants, importers, exporters, dealers and distributors of all kinds of agricultural and horticultural products, manufactured goods, merchandise, and goods of all kinds and to carry on business as sales agents, commission agents, brokers or*

intermediaries for the purchase, sale or dealing in any class of goods and to do all kinds of agency business.

22-A *To undertake, carry out, promote and sponsor rural development programmes, including any programme for promoting the social and economic welfare of or the uplift of the public in any rural area and to incur any expenditure on any programme of rural development and to assist the execution and promotion thereof either directly or through an independent agency or in any other manner. Without prejudice to the generality of the foregoing, "programme of rural development" shall also include any programme for promoting social and economic welfare of or uplift of the public in any rural areas which the Director consider likely to promote and assist rural development, and that the words "rural area" shall include such areas as may be regarded as rural areas under Section 35CC and other applicable provisions, if any, of the Income Tax Act, 1961, or any other law relating to rural development for the time being in force or as may be regarded by the Directors as rural areas and the Directors may at their discretion, in order to implement any of the above mentioned objects or purposes, transfer without consideration or at such fair or concessional value as the Directors may think fit and divest the ownership of any property of the Company to or in favour of any public or local body or authority or central or state government or any public or other institutions of trusts recognized or approved by the central or state government or any authority specified in that behalf by such Government or established under any law for the time being in force as the Directors may approve.*

22-B *To undertake, carry out, promote and sponsor or assist any activity for the promotion and growth of national economy and for discharging what the Directors may consider to be social and moral responsibilities of the Company to the public or any section of the public as also any activity which the Directors consider likely to promote national welfare or social economic or moral uplift of the public or any section of the public and in such manner and by such means as the Directors may think fit and the Directors may without prejudice to the generality of the foregoing undertake, carry out, promote and sponsor any activity for publication through books, literature, newspaper or other similar and allied media including television or for organising lectures or*

seminars likely to advance these objects or for giving merit awards, for giving scholarships, loans or any other assistance to deserving students or other scholars or persons to enable them to prosecute their studies or pursuits or researchers and for establishing, conducting or assisting any institution, fund, trust or other body, having any one of the aforesaid objects as one of its objects, by giving donations or otherwise in any other manner and the Directors may at their discretion in order to implement any of the above mentioned objects or purposes transfer without consideration or at such fair or concessional value as the Directors may think fit and divest the ownership of any property of the company to or in favour of any public or Local Body or Authority or Central or State Government or any authority specified in that behalf by such Government or established under any law for the time being in force as the Directors may approve.

Mining

22-C.1 To purchase, take on lease or acquire by concession, grant, licence, otherwise acquire any mining rights, mines and lands in India or elsewhere believed to contain metallic, or mineral, saline or chemical substances, major and minor minerals, ores, stone earths together with such rights as may be agreed upon and granted by Government or other rulers or owners thereof and to expend such sums of moneys as may be deemed requisite and advisable in exploration survey and development and exploitation thereof for the benefit of the Company.

2 To search for and to purchase or otherwise acquire from any Government state or authority, any licenses, concessions, grants, decrees, rights, powers and privileges whatsoever, for major and minor minerals, stones, granites, earths etc. which may seem to the Company capable of being turned to account and to work, develop, carry out, exercise and turn to account the same.

22D To carry on the business of letting on hire or selling under hire purchase or otherwise, on such terms and conditions as may be decided by the Board from time to time all kinds of machinery, ships, barges, automobiles and vehicles of every kind and description, computers, office equipment of every kind, construction machinery, tools, fixtures,

equipment of every kind and machinery of all kinds and description.

22E *To carry on the business of purchasing and letting on lease in any part of India or abroad all kinds of machinery, plants, tools, jigs and fixtures, agricultural machinery, ships, travelers, vessels, barges, automobiles and vehicles of every kind and description, computers, office equipment of every kind construction machinery of all types and descriptions, air conditioning plants, aircrafts, and electronic equipment of all kinds and descriptions and equipment and machinery of all kinds and description.*

22F.1 *To purchase, sell, develop, take in exchange, or on lease, hire or otherwise acquire, whether for investment or sale, or working the same, any real or personal estate including lands, business, building, factories, mill, houses, cottages, shops, depots, warehouses, machinery, plant, stock in trade, mineral rights, concessions, privileges, licenses, easement or interest in or with respect to any property or interest in or with respect to any property whatsoever for the purpose of the Company in consideration for a gross sum or rent or partly in one way and partly in the other or for any other consideration and to carry on business as proprietors of flats and buildings and to let on lease or otherwise apartments therein and to provide for the conveniences commonly provided in flats, suites and residential and business quarters.*

2 *To provide long term finance to any person or persons or co-operative societies or association of persons or body of individuals either at interest or without and/or with or without any security for construction, purchase, enlarge or repair of any house, flats, raw houses, bungalows, rooms, huts used for residential purposes either in total or part thereof or to purchase any free hold or leasehold lands, estate or interest in any property to be used for residential purposes.*

*23.1 *To carry on the business of buy, sell, trade, deal in or distribute, act as commission agents, brokers, facilitators, clearing and forwarding agents, to import/ export natural of minerals, oils or other natural resources, river sand and other allied minerals, M sand and or any other artificially or synthetically manufactured sand fit for*

construction, infrastructure projects by whatever name called, civil constructions of all types and or any other allied products including through mining or dredging of canals, seas and other natural places, either in India or outside India and for the purpose to form partnerships or joint ventures with such person/s.

- 2 *To carry on the business of general logistic service provider, to carry on business as general carriers and freight forwarders and to provide passenger carrier services, carrier freight transport, courier, truck, light or heavy haulage and delivery services by land, road, railway, sea, river, canal, water, or air for and in connection with any containers, packages, parcels, mails, goods or bulk commodities and for that purpose to purchase , hire or take on charter any ships, tugs, barges, lorries, vans, trailers and other vessels or vehicles of any description and to carry, collect, store, consign, distribute, transfer and deliver goods, wares, post, merchandise, parcels, packages, baggage, freight, animals, livestock, timber, coal, oil, ores and other minerals and other property of every description by any mode of transportation, and generally for such purposes to build, own, lease, acquire, manage and operate warehouses, bonded warehouses, container freight and terminal stations, cold storage facilities, open stock and dumping yards, yard for segregation of wastes, disposal of wastages and dredging operations act as agents for shippers and consigners, and to issue warehouse warrants and receipts and bills of lading. "*

* Inserted vide special resolution passed at EGM held on 26.02.2019

3. Capital Structure of the Company:

The capital structure of the Company as per the audited financial statements as on March 31, 2020 is as follows:

Particulars	Audited financial statements for year ending March 31, 2020
Authorised Share Capital: Rs. 25,00,00,000	
Equity Shares of Rs.5 each	5,00,00,000
Paid-up Share Capital: Rs. 9,55,54,425	

Equity Shares of Rs.5 each	1,91,10,885
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There has been no change in the capital structure of the Company from March 31, 2020 till date.

4. Compliance with tax laws:

The Scheme has been drawn up to comply with the provisions of the Income Tax Act, 1961, if and to the extent applicable. If any term or provision of the Scheme is found or interpreted to be inconsistent with the provisions of the Act at a later date including resulting from a retrospective amendment of law or for any other reason whatsoever, till the time the Scheme becomes effective, the provisions of the Income Tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with the provisions of the Income Tax Act, 1961.

PART III

5. Rationale and Purpose of the Reduction

- 5.1. The equity shares of the Company have been suspended on the BSE since July 18, 2000 due to for non-payment of listing fees, which payment has since been made.
- 5.2. In April 2009, the Company made an application to the Hon'ble High Court of Madras under Sections 78, 100 and 101 of the Companies Act, 1956 to reduce its share capital and sub-divide its shares into shares of a smaller amount, i.e. from Rs.10 per share to Rs.5 per share.
- 5.3. On October 22, 2009, the Board of Directors of the Company approved the issue of 75,26,725 (*seventy-five lakh twenty-six thousand seven hundred and twenty five*) fully paid-up equity shares of Rs.5 (*Rupees five only*) each, aggregating to Rs.3,76,33,625 (*Rupees three crores seventy-six lakhs thirty-three thousand six hundred and twenty five only*) on preferential basis to the Allotees. The issue of the aforesaid equity shares on a preferential basis was subject to approval from its

shareholders and the Hon'ble High Court of Madras to reduce its share capital and sub-divide its shares. At the time of passing the resolution to issue the aforesaid equity shares on a preferential basis, the Company Petition No. 191 of 2009 dated April 8, 2009 was pending with the Hon'ble High Court of Madras.

- 5.4. On December 12, 2009, the shareholders of the Company approved the issue of the aforesaid equity shares on preferential basis which were subject to approval of the Hon'ble High Court of Madras to reduce its share capital and sub-divide its shares.
- 5.5. On August 31, 2010, the Hon'ble High Court of Madras confirmed the sub-division of the equity shares from Rs.10 per share to Rs.5 per share. The Hon'ble High Court of Madras also approved the write-off of an amount of Rs.8,64,53,000 (*Rupees eight crores sixty-four lakhs fifty-three thousand only*) out of Rs.12,90,06,000 (*Rupees twelve crores ninety lakhs six thousand only*) from the share premium account of the Company. On write-off of Rs.8,64,53,000 from the share premium account, the paid-up share capital of the Company was reduced from Rs.12,48,38,850 (*Rupees twelve crores forty-eight lakhs thirty-eight thousand eight hundred fifty only*) to Rs.6,24,19,425 (*Rupees six crores twenty-four lakhs nineteen thousand four hundred and twenty-five only*).
- 5.6. The Company is a listed public company. The equity shares of the Company are listed on the BSE and as such, must comply with the ICDR Regulations (erstwhile DIP Guidelines) and the Listing Regulations (erstwhile Listing Agreement). Ideally, under the ICDR Regulations, the Company should have issued and allotted the aforesaid equity shares within fifteen (15) days of receiving shareholders' approval or within fifteen (15) days of receipt of the last of the regulatory approval (in this case the approval of the Hon'ble High Court of Madras), whichever is later.
- 5.7. On August 31, 2010, the Hon'ble High Court of Madras confirmed the sub-division of the Equity Shares from Rs.10 per share to Rs.5 per share and subsequent reduction of share capital of the Company. The Company, however, received a certified copy of the order only on

November 1, 2010. Upon receipt of the said order, the Company, on November 25, 2010, made an application to the BSE seeking in-principle approval to issue the aforesaid equity shares on a preferential basis. The Company paid the fee of Rs.55,150 (*Rupees fifty-five thousand one hundred fifty*) along with the application seeking in-principle approval.

- 5.8. Subsequent to making the application for in-principle approval to the BSE, the Company received Rs.3,31,35,000 (*Rupees three crores thirty-one lakhs thirty-five thousand only*) as advance share subscription monies towards subscription of the aforesaid equity shares on a preferential basis. The Company expected to receive the in-principle approval from the BSE and then appropriate the advance share subscription monies towards issue of the aforesaid equity shares on a preferential basis.
- 5.9. The Company has till date not received the in-principle approval from the BSE to issue the aforesaid equity shares. Ideally, the Company should have returned the advance share subscription monies to the Allottees soon thereafter; however, due to lapse of time and oversight and change in the management of the Company, the Company continued to retain the share subscription monies. Since the Company had not allotted the aforesaid equity shares, the Company did not use any part of the share subscription monies then.
- 5.10. While waiting to receive the BSE in-principle approval, the Company proposed a restructuring plan and was working with its advisors to identify investors to infuse funds into the Company to meet its working capital requirements and to pay its debts.
- 5.11. Due to the global slowdown in 2013-14 and 2014-15, the demand for its products decreased over a period of time and the Company faced losses in its operations. Due to this sudden and unprecedented setback in business, the Company faced losses for three continuous financial years ending on 2013, 2014 and 2015. The Company suffered a loss of Rs.16,39,57,000 (*Rupees sixteen crores thirty-nine lakhs fifty-seven thousand only*) during these three financial years, which resulted in severe cash flow crisis. Although, the Company was taking steps to

revive itself and clear its debts, the Company continued to make losses for the financial year ended 2016 to the tune of Rs.5,67,00,000 (*Rupees five crores sixty-seven lakh*) resulting from the after effects of the global slowdown.

- 5.12. With the global slowdown having an adverse effect on business and no investor willing to infuse money into the Company, the Company was in dire need of funds to run its operations. With no other option left, the Company decided to use the share subscription monies but only after issue of the aforesaid equity shares. On March 31, 2016, the Company allotted 66,27,000 (*sixty-six lakhs twenty-seven thousand*) equity shares ("***Fresh Equity Shares***") to the Allottees by appropriating the share subscription monies.
- 5.13. Upon allotment of the Fresh Equity Shares, on January 6, 2017, the Company informed the BSE of allotment of the Fresh Equity Shares. The Company informed the BSE that the Fresh Equity Shares were issued pursuant to the provisions of the amendment notification issued by the Ministry of Corporate Affairs on the Companies (Acceptance of Deposits) Rules, 2014 bearing number GSR 241(E), which mandates that if a company had received any amount by way of subscriptions to any shares before April 1, 2014, against which the allotment is pending, the company shall, either return such amounts to the persons from whom these were received or allot shares or comply with these rules.
- 5.14. In compliance with the SEBI Circular No. CIR/CFD/CMD/6/2015 dated October 13, 2015, the Company, on November 21, 2017, submitted a Uniform Fresh Listing Agreement dated November 16, 2017 to the BSE, executed by the authorised signatory of the Company. The execution of the Uniform Fresh Listing Agreement was approved by the Board of Directors of the Company in their meeting held on February 29, 2016.
- 5.15. The Company, prior to and after issue of the Fresh Equity Shares, made several applications to the BSE for revocation of suspension of its shares. In reply thereto, the BSE asked the Company to comply with the norms for revocation of suspension failing which the BSE would initiate delisting of the shares of the Company.

- 5.16. The Company complied with all norms for revocation of suspension except the explanation for difference between issued and listed capital of the Company. The Company also explained to the BSE that the difference between the issued and listed capital is because the Fresh Equity Shares have not been listed till date.
- 5.17. The Company acknowledges that it did not comply with certain laws in issue of the Fresh Equity Shares without first revoking the BSE suspension order. The Company desires to rectify its non-compliances and is willing to comply with any directions to ratify the Fresh Equity Shares and revoke the BSE suspension order. In fact, the Company has neither declared dividend on the Fresh Equity Shares nor counted their votes to approve any resolution. The Fresh Equity Shares have been kept in abeyance by the Company and the only need to issue the Fresh Equity Shares was the dire need of funds by the Company due to the global slowdown. These Fresh Equity Shares are in physical format only and have not yet been dematerialised, which shows that neither the Company nor the Allottees had any intentions to transfer these shares to any other person.
- 5.18. The Fresh Equity Shares now form part of the current equity share capital of the Company. To rectify the issue of the Fresh Equity Shares, the Company is willing to annul the issue and reduce the issued, subscribed and paid-up equity share capital of the Company and revert to the issued, subscribed and paid-up equity share capital prior to issue of the Fresh Equity Shares.
- 5.19. The Company, proposes to reduce its issued, subscribed and paid-up equity share capital from Rs.9,55,54,425 divided into 1,91,10,885 equity shares of Rs.5 each to Rs.6,24,19,425 divided into 1,24,83,885 equity shares of Rs.5 each by cancelling and extinguishing 66,27,000 equity shares each of Rs.5 each issued and allotted to the persons as set out in Schedule I of this Scheme ("**Capital Reduction**").
- 5.20. This Scheme of Capital Reduction is in the interest of the Company and its public shareholders as by virtue of this Capital Reduction, the shareholding of the public shareholders will increase. Due to the cash

flow restraints in the Company, the Allottees have agreed to waive off the whole subscription amount of Rs. 5 per share that was paid by them to the Company as share subscription monies towards subscription of the aforesaid equity shares on a preferential basis such that the reduced share capital is equal to and matches the listed share capital. The Company will then make an application to the BSE, along with the order for Capital Reduction, requesting the BSE to revoke suspension of its shares.

6. Objects/ Benefits arising out of the Scheme

- 6.1. This Scheme, when approved, would enable the Company to comply with the norms for revocation of suspension by rectifying the difference between the issued capital and the listed capital. The revocation of suspension would provide an opportunity to the Company to raise further capital to fund new projects/undertake expansions/diversifications and make acquisitions.
- 6.2. The revocation of suspension would also enable the Company to provide its shareholders a trading platform and thus provide ready marketability and liquidity to its shareholders. The Scheme would provide its shareholders the opportunity to realise the value of their investments.
- 6.3. The approval of the Scheme and in revocation of suspension from trading will improve the Company's visibility and credibility among financial institutions and investors.
- 6.4. The books of the Company would represent its financial position in a proper way and bring it in line with the listed capital of the Company which would help the Company position itself better in the market and undertake business activities efficiently. This would be value accretive to the shareholders as well as their holdings would yield better results.
- 6.5. The reduction of capital in the manner proposed in this Scheme would enable the Company to have a rational structure which is commensurate with its remaining business and assets.

- 6.6. The Scheme, when approved, would provide greater flexibility to the Company in raising funds either from the capital market or from any Bank/ Financial institutions in the form of equity or debt, depending upon the business needs of the Company.
- 6.7. The Scheme is merely a reduction in the share capital of the Company prepared in terms of Section 66 of the Act, read with the Rules, and other applicable provisions of the Act (to the extent applicable) and does not envisage transfer, conveyance or vesting of any of the properties and/ or liabilities of the Company to any person or entity.
- 6.8. The reduction of share capital does not entail diminution of any liabilities of the Company in respect of any unpaid capital nor entails payment to any shareholder of any paid-up capital, except to the Allottees. Further, the reduction of capital does pursuant to this Scheme does not result in any prejudice to the shareholders, creditors, or any other stakeholders of the Company nor for that matter adversely affect the ordinary operations of the Company or its ability to honour its commitments or to pay its debts in the ordinary course of its business.
- 6.9. The consent of the shareholders of the Company to this Scheme of reduction of capital of the Company will be taken through a resolution under the provisions of Section 66 of the Act read with the Rules and other applicable provisions of the Act (to the extent applicable) and any other applicable provisions.

7. Effect of the Scheme

- 7.1. The proposed reduction of capital pursuant to the Scheme, by reducing the share capital of the Company will be reflected in the books of accounts of the Company, on the Effective Date, in following manner:

Capital structure of the Company pre and post the Scheme is reflected in the table below:

Pre-reduction			Post-reduction		
Particulars	No. of Shares	Amount (<i>in INR</i>)	Particulars	No. of Shares	Amount (<i>in INR</i>)
Authorised Share Capital					

Pre-reduction			Post-reduction		
Particulars	No. of Shares	Amount (<i>in INR</i>)	Particulars	No. of Shares	Amount (<i>in INR</i>)
Authorised Share Capital					
Equity Shares of value Rs.5 each	5,00,00,000	25,00,00,000	Equity Shares of value Rs.5 each	5,00,00,000	25,00,00,000
Issued, Subscribed and Paid-up Share Capital					
Equity Shares of value Rs.5 each	1,91,10,885	9,55,54,425	Equity Shares of value Rs.5 each	1,24,83,885	6,24,19,425

- 7.2.
The aforesaid reduction is proposed to be effected by nullifying the issue of 6,62,7000 equity shares on March 31, 2016 and bringing the paid-up share capital in line with the share capital of the Company as listed on the BSE.
- 7.3.
Upon approval of the Scheme, the paid-up share capital of the Company will be reduced from Rs.9,55,54,425 (Rupees nine crores fifty five lakh fifty four thousand four hundred and twenty five) divided into 1,91,10,885 (one crore twenty four lakh eighty three thousand eight hundred and eighty five) Equity Shares of Rs.5 each to Rs.6,24,19,425 (Rupees six crores twenty four lakh nineteen thousand four hundred and twenty five) divided into 1,24,83,885 Equity Shares of Rs.5 each.

8.
Authorized Share Capital

- 8.1.
Upon approval of this Scheme, paid-up share capital of the Company will be reduced as set out in the previous paragraph. There will be no change to the authorised share capital of the Company.

PART IV

9.
Conditionality of the Scheme

The Scheme is conditional upon and subject to:

- 9.1. The Scheme being approved and agreed by the respective requisite majority of shareholders of the Company as required under the Act;
- 9.2. Receipt of requisite sanctions and approvals under applicable laws, including but not limited to approvals and sanctions required under the SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- 9.3. The Scheme being approved by the NCLT under Section 66 of the Act read with the Rules and other applicable provisions of the Act (to the extent applicable);
- 9.4. The certified copy of the above order of the NCLT sanctioning the Scheme being filed with the Registrar of Companies, Chennai.
- 9.5. Any other sanction or approval of the appropriate authorities concerned, that may be considered necessary and appropriate by the Board of Directors of the Company being obtained and granted in respect of any of the matter for which such sanction or approval is required.

10. Costs, Charges and Expenses

- 10.1. All past, present and future costs, charges, levies, duties and expenses in relation to or in connection with or incidental to the Scheme and of carrying out and implementing/ complementing thereof shall be borne and paid solely by the Company and all the above costs shall be treated as costs relating to the Scheme.

11. Impact of the Scheme on Employees

- 11.1. The Scheme shall not have any adverse impact on the employees of the Company. All staff, workmen and other employees in the service of the Company immediately before the capital reduction shall stay as staff, workmen and employees of the Company after the capital reduction. Their service shall be continuous and shall not be interrupted by reason of this capital reduction. The terms and conditions of service applicable

to the said staff, workmen or employees after such capital reduction shall not in any way be less favorable to them than those applicable to them immediately before the capital reduction.

- 11.2. The approval of the Scheme would increase the visibility and improve public perception of the Company, thereby increasing employee value and morale. It may also lead to hiring of new staff and may facilitate stock-based payments such as ESOPs, etc.

12. Impact of the Scheme on Creditors/ Banks/ Financial Institutions

- 12.1. The proposed capital reduction would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or pay the debts in the ordinary course of business. The above proposal, does not in any manner, alter, vary, or affect the rights of the creditors/ banks/ financial institutions. They would in fact be generally benefitted as the Scheme would provide ready marketability to the shares of the Company which are acceptable to the creditors as collateral for credit facilities. A listed company can also borrow from financial institutions easily as it is rated favourably by creditors.
- 12.2. The proposed capital reduction in any manner whatsoever does not, alter, vary, or affect the payment of any types of dues or outstanding amounts including all or any of the statutory dues payable or outstanding.

13. Contracts, Deeds, Bonds and other Instruments

- 13.1. Subject to other provisions contained in the Scheme, all contracts, deeds, agreements and other instruments of whatever nature to which the Company is a party subsisting or having effect immediately before the Effective Date shall remain in full force and effect against or in favour of the Company, as the case may be, and shall be enforced as fully and as effectually as before such reduction.

14. Conduct of Business by the Company

- 14.1. The Scheme would not affect the ability or liquidity of the Company to meet its obligations/ commitments in the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Company during the course or after the approval of reduction of capital.

15. Legal Proceedings

- 15.1. If any suit, writ petition, appeal, revision or other proceedings of whatever nature by or against the Company are pending, the same shall not abate, be discontinued or be in any way prejudicially affected by the capital reduction, but such proceedings may be continued, prosecuted and enforced by or against the Company in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against the Company before such capital reduction.

16. Application to the NCLT

- 16.1. This involves reduction of share capital as contemplated by the Articles of Association of the Company and approvals of the Hon'ble National Company Law Tribunal, Chennai Bench, Tamil Nadu under Section 66 of the Act read with the Rules and other applicable provisions of the Act (to the extent applicable) to be sought as a measure of legal compliance, transparency, prudence and extra caution.

17. Modifications/ Amendments of the Scheme

- 17.1. The Company, by its Board or such other Committee/ person or persons, as the Board may authorize, may make, or affect or assent to any modification or amendment of the Scheme which the Hon'ble National Company Law Tribunal, Chennai Bench 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 for settling any question or doubt or difficulty that may arise for implementing and/

or carrying out the Scheme or otherwise howsoever arising out of or under or by virtue of the Scheme and/ or any matter concerned or connected herewith, as may be considered by the Board to be in the best interest of the Company and its members including the withdrawal of the Scheme, and do all such acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme.

- 17.2. For the purpose of giving effect to the Scheme or to any modification thereof, the Board of Directors of the Company, are authorised 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

18. Date of taking effect

- 18.1. The Scheme set out herein in its present form or with any modification(s) hereto approved or imposed or directed by the Hon'ble National Company Law Tribunal, Chennai Bench will be effective from the Effective Date.

19. Effect of non-receipt of approval/ sanctions

- 19.1. In the event of any aforesaid sanction and approvals not being obtained and/or the resolution not being sanctioned by the Hon'ble National Company Law Tribunal, Chennai Bench and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and the Company shall bear and pay the costs, charges and expenses for/or in connection therewith.
- 19.2. In the event, any condition or amendment or modification that may be imposed by the Hon'ble National Company Law Tribunal, Chennai Bench or any competent authority, or if the Board of Directors of the Company decides, they shall be at a liberty to withdraw from the Scheme unconditionally.

20. Severability

- 20.1. If, in the opinion of the Board, 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. If any part of this Scheme hereof is invalid, ruled illegal by any appropriate authority of competent jurisdiction, or unenforceable under present or future laws, then 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, in which case the Board shall attempt to bring a suitable modification to the Scheme. The Board shall be entitled to revoke, cancel and declare the Scheme to have no effect, if the Board is of the view that the coming in to effect of the Scheme would have adverse implications on the Company.

21. Designated Stock Exchange

- 21.1. The Designated Stock Exchange for interaction with SEBI will be the BSE Limited.

22. Accounting Treatment

- 22.1. The Company shall pass appropriate entries as per the applicable accounting policies and accounting standards (specified in Section 133 or any other provision of the Act) as regards accounting for the reduction of share capital.

23. Cancellation of Shares

Upon this Scheme becoming effective:

- 23.1. All Allottees to whom the Fresh Equity Shares were issued and the share certificates held by them corresponding to the Fresh Equity Shares will be deemed to have been automatically cancelled and cease to be negotiable and be of no commercial or legal value and shall be non-usable and non-tradable on any stock exchange or otherwise on and from the Effective Date.

- 23.2. In the case of shares held in dematerialized and electronic form, the required procedure for reflecting the cancellation of Fresh Equity Shares issued to the Allottees, shall be adopted for making necessary alterations in the depository accounts of the Allottees.

24. Listing of Shares

- 24.1. Notwithstanding the reduction of share capital of the Company in pursuance of the Scheme, the listing benefit of the Company on the Stock Exchanges where the existing Equity Shares are listed shall continue and the Company will comply with the applicable provisions of the LODR and the listing agreement filed with the BSE.

25. Form of Minute under Section 66(5) of the Act

- 25.1. The form of minute proposed to be registered under Section 66(5) of the Act, is as follows:

"The issued, subscribed and paid up capital of Kothari Industrial Corporation Limited is henceforth Rs.6,24,19,425 (Rupees six crores twenty four lakh nineteen thousand four hundred and twenty five) divided into 1,24,83,885 (one crore twenty four lakh eighty three thousand eight hundred and eighty five) Equity Shares of Rs.5 each."

26. Expenses Connected with the Scheme

- 26.1. All costs, charges and expenses of the Company respectively in relation to or in connection with the Scheme and of carrying out and implementing/completing the terms and provisions of the Scheme and/or incidental to the completion of the Scheme shall be borne and paid by the Company.

SCHEDULE I

List of Allottees

	Name of the Allottees	Equity Shares
1.	N.Krishnaji Sukkal	60,000
2.	G.Mohan Das	60,000
3.	K.Santhanam	20,000
4.	K.Rabindran Swamidason	25,00,000
5.	Rakesh Garg	18,40,000
6.	N.Ravichandran	1,00,000
7.	N.Santharam	5,000
8.	N.Srinivasan	40,000
9.	D.Ravindra Reddy	60,000
10.	T.Sankaran	40,000
11.	Pradip D Kothari	19,00,000
12.	A. Raja	2,000