

SCHEME OF ARRANGEMENT

UNDER 100 TO 104 OF THE COMPANIES ACT, 1956

BETWEEN

AVI PHOTOCHEM LIMITED

AND

THE EQUITY SHAREHOLDERS OF AVI PHOTOCHEM LIMITED

PREAMBLE

A. Background

AVI PHOTOCHEM LIMITED (Herein after referred as APCL) The Applicant Company was incorporated on 7th day of March, 1989. APCL is a Company engaged in the business of manufacture, produces formulate, process, refine, recover, extract, distill, dilute, rectify, convert, replace, grow, cultivate, pack, repack, buy, sell, export import. or otherwise deal in all types of heavy and light organic and /or inorganic chemical, rubber chemicals, petrochemical, dyes, intermediates and auxiliaries, paints and all kinds of inks, varnishes, resins, adhesives, insecticides, pesticides, fungicides, graphic chemicals, photographic chemicals, X –Ray and Electronic Material; plate, laboratory chemicals, agricultural chemicals and any mixtures, derivatives and blendings of the above and /or with their bye-products and chemicals elements and compounds including without limiting the generality of the foregoing laboratory and scientific chemicals or of any other nature used in various industries in India or elsewhere. APCL intends to restructure its capital by cancellation of Equity Shares on proportionate basis to adjust the debit balance of the APCL presently standing in Profit and Loss account of the APCL.

B. Parts of the Scheme

This Scheme of Arrangement is divided into the following parts:

- (a) **PART I**, which deals with the Definitions and Share Capital of the Company,
- (b) **PART II**, which deals with Cancellation of Share Capital Account and adjustment of Debit Balance in the Profit And Loss Account of the APCL.



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(c) **PART III**, which deals with General Terms and Conditions applicable to the entire Scheme of Arrangement.

It is clarified that the several parts of the Scheme enumerated above are for convenience only and the whole Scheme is to be implemented as a comprehensive, single Scheme of Arrangement. As such the Scheme must be read in totality and not in parts only.

PART – I: DEFINITIONS AND SHARE CAPITAL

(1) **Definitions:**

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

- (a) **"Act"** or **"the Act"** means the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force;
- (b) **"Appointed Date"** means the commencement of business as on 1st April, 2014 or such other date as may be fixed by the High Court of Judicature at Bombay or such other appropriate Court, Tribunal or authority.
- (c) **"Board"** means the Board of Directors of the Company.
- (d) **"Company"** or **"APCL"** means **AVI PHOTOCHEM LIMITED** a Company incorporated under the Companies Act, 1956, having its Registered Office at 110, Manish Ind Estate NO.4, Navghar Road, Vasai (East) Vasai, Maharashtra 410210.
- (d) **"Court"** means the Hon'ble High Court of Bombay.
- (e) **"Effective Date"** means the date on which the certified copy of the Order of the Bombay High Court sanctioning the Scheme under Section 100 to 105 and other applicable provisions of the Companies Act, if any, is filed with Registrar of Companies, Maharashtra and if the certifies copies are filed on different dates, the last of such dates.
- (f) **"SEBI"** means the Securities and Exchange Board of India established under section 3 of the Securities Exchange Board of India Act, 1992 and having its head office situated at Plot No.C4-A,'G'Block, Bandra Kurla Complex, Bandra (east), Mumbai-400051.



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- (g) **“Stock Exchange”** means the BSE Limited on which the equity shares of the Company are listed and traded. The Designated Stock Exchange of the Company shall be BSE limited.
- (h) **“Equity Shares”** means fully paid up equity shares of Rs. 10/- each issued at par by the Company.
- (i) **“Issue Date”** means any date as fixed by the Board, after the Record Date, on which Equity Share shall be issued by the Company on preferential basis.
- (j) **“Record Date”** means the date to be fixed by the Board after the Effective Date by reference to which the eligibility of the Shareholders for the Equity Shares pursuant to this Scheme shall be determined.
- (k) **“Scheme”** means this Scheme of Arrangement in its present form or with any modification (s) or amendment(s) approved or imposed or directed by High Court of Judicature at Bombay and includes all Schedules forming part of this Scheme.
- (l) **“Shareholders”** means a person who is registered as a member in the Register of Members of the Company as on the Record Date or whose name appears as the beneficial owner of the Equity Shares in the records of the Depositories on the Record Date.
- (m) **“Losses”** means accumulated losses of the company

(2) **Share Capital**

The Share Capital of the Applicant Company as on March 31, 2014 is as under:

	<u>Rs.</u>
<u>Authorised</u>	
35,00,000 Equity Shares of Re.10/- each	3,50,00,000
TOTAL	3,50,00,000
<u>Issued, Subscribed & Paid up</u>	
34,80,076 Equity shares of Rs.10/- each fully paid up	3,48,00,760
TOTAL	3,48,00,760



CANCELLATION OF SHARE CAPITAL ACCOUNT AND ADJUSTMENT OF DEBIT

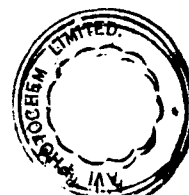
BALANCE IN THE PROFIT AND LOSS ACCOUNT OF THE APCL

(3) COMPLIANCE WITH TAX LAWS:

This Scheme has been drawn up to comply also with the provisions of the Income Tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said section at a later date including resulting from a retrospective amendments of the law or for any other reason whatsoever, till the time the scheme becomes effective, the provisions of the said section 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.

(4) The APCL commenced its business upon incorporation. APCL is presently engaged in the business of To carry on the business of manufacture, sell, purchase, import, export, pack, repack, trade and otherwise deal in all types of Chemicals, Petrochemicals, Printing Chemicals & Inks, X-Ray chemicals, X-Ray accessories and goods, Graphic and Photographic chemicals, Electronic goods & materials, Dental & Surgical machinery, Dental consumables, Digital dental educational material, Computer hardware and accessories, Digital Photographic goods and accessories, Printing related machinery and accessories, Internet related services and goods, Data banking, warehousing and related computer based software, undertake contracts for designing, development, maintenance of related software applications including websites, e-commerce applications..

(5) The APCL is engaged in the Business To carry on the business of manufacture, sell, purchase, import, export, pack, repack, trade and otherwise deal in all types of Chemicals, Petrochemicals, Printing Chemicals & Inks, X-Ray chemicals, X-Ray accessories and goods, Graphic and Photographic chemicals, Electronic goods & materials, Dental & Surgical machinery, Dental consumables, Digital dental educational material, Computer hardware and accessories, Digital Photographic goods and accessories, Printing related machinery and accessories, Internet related services and goods, Data banking, warehousing and related computer based software, undertake contracts for designing, development, maintenance of related software applications including websites, e-commerce applications. The Applicant Company has accumulated losses of Rs. 2,54,01,502/- as on March 31, 2014.



(6)

- (i) The APCL is now proposing to undertake a financial restructuring exercise whereby it is proposed to cancel 24,36,054 equity shares of Rs. 10/- each equivalent to Equity Share Capital of Rs. 2,43,60,540/- (Rupees Two Crore Forty three lakh Sixty thousand Five Hundred and Forty Only). As a result of this capital restructuring, equity shares capital of the Company will stand reduced to 10,44,022 shares of Rs. 10/- equivalent to an equity share capital of Rs. 1,04,40,220/- ((Rupees One Crore Four lakhs forty thousand two hundred and twenty only.)
- (ii) The cancellation of the shares is proportionately among the members of the Company and the same amount shall be utilized for adjusting the debit balance in Profit & Loss Account.
- (iii) Thus, shareholders of the Company holding 100 equity shares of Rs. 10/- each as on the record date, will receive 30 equity shares of Rs. 10/- each post the capital reduction.
- (iv) In respect of fractional shares, if any, caused by the reduction of capital, the same shall be rounded off to 1 (one) share of Rs. 10/- each and the same would be allotted to the shareholders. Simultaneously, the increase in number of shares due to rounding off will be foregone by Mr. Avinash Vora, one of the Promoters of the Company, thus keeping the paid up capital intact to Rs. 1,04,40,220/- (Rupees One Crore Four lakhs forty thousand two hundred and twenty. only).

Examples:

- (a) Shareholder 'A' holds 135 equity shares of the Company:

Then his entitlement will be:

$(135 \times 10,44,022) / 34,80,076 = 40.5$ shares which will be rounded off to 41 equity shares of Rs. 10/- each.

Thus, Shareholder 'A' will receive 41 (forty one) equity shares of Rs. 10/- each.

(7) Rationale and Purpose of the Scheme are as follows:

- i) The Company has incurred heavy losses in the past resulting in substantial erosion of its Net Worth. The Scheme will result in improving its Net Worth.



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- ii) The scheme will enable the Company to overcome its financial difficulties and improve its working in the future.
 - iii) The Company's financial position will become more accurate after the capital reduction.
 - iv) 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.
 - v) Give a true and fair picture of the financial condition of the Company;
 - vi) Cleaning up of the balance sheet of the Applicant Company;
 - vii) Result in better presentation of the balance sheet of the Applicant Company;
 - viii) The restructuring proposal does not in any manner, alter or vary the rights of the creditors of the Applicant Company;
 - ix) Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the Company nor will it affect the ability of the Company to honour its commitment or pay its debts, if any in the ordinary course of business.
- (8) The Reduction will not cause any prejudice to the interest of the Creditors of the Company. The Creditors of the APCL are in no way affected by the proposed reduction of the Share Capital as there will not be any reduction in the amount payable to any of the Creditors arising out of this reduction. Further, the proposed 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 ordinary course of business. The above proposal, does not in any manner, alter, vary, or affect the rights of the Creditors.
- (9) The reduction of share capital pursuant to this Scheme shall be given effect as an integral part of the Scheme in accordance with the provisions of Sections 100 to 104 of the Companies Act and the order of the High Court sanctioning the Scheme shall be deemed to be also the order under Section 102 of the Companies Act for the purpose of confirming the reduction. The reduction would not involve either a discontinuation of liability



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in respect of unpaid share capital or payment of paid-up share capital, and the provisions of Section 101 of the Companies Act will not be applicable. Further, the consent given to the Scheme by the shareholders and the creditors of the APCL shall be deemed to be their consent under the provisions of Section 100 and all other applicable provisions of the Companies Act to such reduction of capital of the APCL and APCL shall not be required to convene any separate meeting for that purpose.

PART III - GENERAL

- (10) The scheme does not involve any conveyance of transfer of any property and consequently, the orders of the Hon'ble High Court of Judicature of Bombay, Maharashtra approving the Scheme will not attract any stamp duty, under the Bombay Stamp Act, in this regard.
- (11) This scheme is specifically conditional upon, subject to and shall become effective upon:
- (a) The approval of Arrangement to the Scheme, by the requisite majorities, of such classes of persons of the Company as may be directed by the High Court of judicature at Bombay, Maharashtra on the applications made for directions under Section 100 to 104 of the Act for calling meetings and necessary resolutions being passed under the Act for the purpose; and
 - (b) the sanction of the High Court of Judicature at Bombay, Maharashtra under Sections 100 to 104 of the Act and to the necessary orders under Section 100 to 104 of the Act being obtained; and
 - (c) the certified copies of the Orders of the High Court sanctioning this Scheme being filed with the Registrar of Companies, Maharashtra
- (12) **Approval of Shareholders to Scheme through Postal Ballot and e-Voting.**

The company shall ensure that the Scheme submitted with the Hon'ble High Court for sanction, provides for obtaining shareholders' approval through special resolution passed through postal ballot and e-voting, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution. The scheme shall also provide that the special resolution shall be acted upon only if the votes cast by public shareholders in favour of the proposal amount to at least two times the number of votes cast by the public shareholders against it.



(13) **Conduct of Business**

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

(14) **Accounting Treatment**

1. The company will comply with all relevant Accounting policies and Accounting standards as regards accounting for the reduction of capital and writing of the losses.
2. The company will make and pass appropriate entries for all notional adjustments in a prudent and commercially accepted manner.

(15) **Filing of Applications and Petitions**

The Company shall with all reasonable dispatch, make and file all necessary applications/petitions under Sections 100 to 104 and other applicable provisions of the Act to the High Court of judicature at Bombay, Maharashtra for sanctioning of this Scheme and shall apply for all the necessary approvals as may be required under the law

(16) **Modification of Scheme**

The Company by its Board of Directors, either by themselves or through any authorised person/s appointed by the Board in this behalf, may, in their full and absolute discretion, make and / or assent, from time to time, to any modifications or amendments or substitution or of any conditions or limitations to/of this Scheme which the Court may impose and to settle all doubts or difficulties that may arise for carrying out the Scheme and to do and execute all acts, deeds, matters and things necessary for putting the Scheme into effect

(17) **Costs, Charges etc.**

All costs, charges and expenses incurred in relation to or in connection with this Scheme and of and incidental to the effecting of this Scheme shall be borne the Company.



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