

[Pursuant to section 230 and rule 15(1)]

IN THE NATIONAL COMPANY LAW TRIBUNAL

BENCH AT AHMEDABAD

CP(CAA) NO. _____ OF 2024

IN

CA (CAA) NO. 61 OF 2023

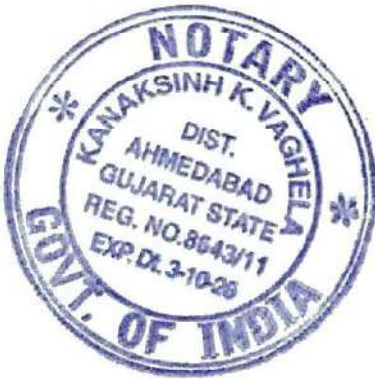
In the matter of the Companies Act, 2013

And

In the matter of Sections 230 of the
Companies Act, 2013

And

In the matter of Scheme of Arrangement
between Mafatlal Industries Limited ("the
Company") and its Shareholders for
reduction and reorganization of the capital
of the Company.



MAFATLAL INDUSTRIES LIMITED)

[CIN: L17110GJ1913PLC000035],)

A company incorporated under the)

provisions of the Indian Companies Act,)

1882, having its registered office)

at 301-302, Heritage Horizon,)

Third Floor, off. C. G. Road,)



For, Mafatlal Industries Limited Page 1 of 29

Amish Shah
Company Secretary

...Petitioner Company

MOST RESPECTFULLY SHEWETH:

1. The object of this petition is to obtain sanction of this Hon'ble Tribunal for the Scheme of Arrangement between Mafatlal Industries Limited ("the Company") and its Shareholders for reduction and reorganization of the capital of the Company ("**the Scheme**"). Hereto annexed and marked as **Annexure- [A]** is the copy of the Scheme.
2. Mafatlal Industries Limited, Petitioner herein was incorporated on 20th January, 1913 in the name and style of The New Shorrock Spinning & Manufacturing Company Limited under the provisions of the Indian Companies Act, 1882. The name of the Company was changed to Mafatlal Industries Limited and a Fresh Certificate of Incorporation was issued by the Registrar of Companies, Gujarat dated 24th January, 1974. Hereto annexed and marked as **Annexure- [B]** is a copy of the Memorandum of Association and Articles of Association of the Petitioner Company.
3. The Registered Office of the Petitioner Company is situated at 301-302, Heritage Horizon, Third Floor, Off. C. G. Road, Navrangpura, Ahmedabad Gujarat - 380009.
4. The Authorised Issued, Subscribed and Paid-up Share Capital of the Petitioner Company as on 31st March, 2022 was as under:

Particulars	Amount (Rs.)
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Authorised Share Capital:	
1,42,45,081 Equity Shares of Rs. 10/- each	14,24,50,810
8,57,54,919 Unclassified Shares of Rs. 10/- each	85,75,49,190
Total Authorised Capital	1,00,00,00,000

Particulars	Amount (Rs.)
Issued Capital:	
1,40,71,386 Equity Shares of Rs. 10/- each	14,07,13,860
Subscribed & Paid Up Capital:	
1,40,71,386 fully paid-up Equity Shares of Rs. 10/- each	14,07,13,860

The members of the Company, vide ordinary resolution through postal ballot dated 7th November, 2022 had approved reclassification of Authorised share capital and sub-division of equity shares of the Company. 25th November, 2022 was record date for the purpose of new sub-division of equity Shares of the Company. After reclassification of Authorised share capital and sub-division of equity shares of the Company as aforesaid, the capital structure of the Company as on 31st March, 2023 was as under:

Particulars	Amount (Rs.)
Authorised Share Capital:	
35,00,00,000 Equity Shares of Rs. 2/- each	70,00,00,000
3,00,00,000 Preference Shares of Rs. 10/- each	30,00,00,000
Total Authorised Capital	1,00,00,00,000

Particulars	Amount (Rs.)
Issued Capital:	



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7,05,97,430 Equity Shares of Rs. 2/- each	14,11,94,860
Subscribed & Paid-Up Capital:	
7,05,97,430 fully paid-up Equity Shares of Rs. 2/- each	14,11,94,860

The Company has allotted 1,17,000 equity shares of Rs. 2/- each on 2nd August 2023 and 5,81,000 equity shares of Rs. 2/- each on 7th November 2023 under ESOP- 2017 scheme. The present capital structure of the Company after such allotment is as under (as on 31st January 2024);

Particulars	Amount (Rs.)
Authorised Share Capital:	
35,00,00,000 Equity Shares of Rs. 2/- each	70,00,00,000
3,00,00,000 Preference Shares of Rs. 10/- each	30,00,00,000
Total Authorised Capital	1,00,00,00,000

Particulars	Amount (Rs.)
Issued Capital:	
7,12,95,430 Equity Shares of Rs. 2/- each	14,25,90,860
Subscribed & Paid Up Capital:	
7,12,95,430 fully paid-up Equity Shares of Rs. 2/- each	14,25,90,860

Hereto annexed and marked Annexure- [C] and Annexure- [D] are a copy of the last audited financial statements of the Petitioner Company for the financial year ended 31st March, 2022 and 31st March, 2023 with its Annual Report for the financial year ended 31st March, 2022 and 31st March, 2023 respectively. A copy of the



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(Signature)

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Unaudited Financial Results of the Petitioner Company for the quarter ended 30th September 2023 is hereto annexed and marked as Annexure- [E].



5. The main objects of the Petitioner Company as set out in its Memorandum of Association are, interalia, as follows:

1. To carry on all or any of the business following – cotton spinners and doublers, wool silk, flax, jute and hemp spinner and doublers, linen manufacturers, cotton flax, hemp, jute and wool merchants, wool combers, worsted spinners, woollen spinners, and yarn merchants, worsted stuff manufactures, bleachers, and dyers and makers of vitriol, bleaching and dyeing materials and to purchase and sell, comb, prepare, spin, dye and deal in flax, hemp, jute, wool, cotton, silk and other fibrous substances and to weave or otherwise manufacture, buy and sell and deal in linen, cloth and other goods and fabrics whether textile, fribled, knitted or looped add to supply power.”

“(33) To acquire and undertake the whole or any part of the business, property and liability of any company, firm or person carrying on any business or businesses which the Company is authorised to carry on or possessed of property suitable for the purpose of the Company. To enter into any type of scheme for reorganising the business and structure



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of the Company including merger, demerger, any other scheme of arrangement for reorganising."

Clause 65 of the ARTICLE OF ASSOCIATION (AOA) of the Company provides for Reduction of Capital

"65. Subject to confirmation by the Court, the Company may, by Special Resolution, reduce its Share Capital in any way; and in particular and without prejudice to the generality of the foregoing power, may:

(a) extinguish or reduce the liability on any of its shares in respect of Share Capital not paid up;

(b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid-up Share Capital which is lost or unrepresented by any assets; or

(c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid-up Share Capital which is in excess of the wants of the Company; and may, if and so far as is necessary, alter its Memorandum by reducing the amount of its Share Capital and of its shares accordingly."

7. The main business of the Petitioner Company is of manufacturing, trading, dealing and marketing textile and other products.
8. The details of Reserves and Surplus of the Company as on 31 March 2022, as per the audited balance sheet of the Company as on that date are as under:

Sr.	Particulars	Amount in Rs.
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No.		
1	Capital Reserve No.1	61,16,314.00
2	Capital Reserve No. 2	35,00,000.00
3	Capital Reserve on Amalgamation	36,34,48,000.00
4	Capital Redemption Reserve	83,83,13,559.00
5	Securities premium	176,26,44,605.12
6	Capital Investment Reserve	75,96,408.91
7	Investment Reserve	1,77,663.00
8	ESOP Reserve	75,78,714.66
9	Export Profit Reserve	20,00,000.00
10	Retained earnings	(226,44,81,517.00)
11	General Reserve	6,20,00,000.00
12	FVOCI Equity Investments Reserve	592,98,59,455.53

9. The Petitioner Company submits that the following rationale of the scheme is stated in the Composite Scheme of Arrangement.

- (i) The Company had suffered substantial losses during the past few years, due to which the Company's retained earnings had turned Negative.
- (ii) During the financial years 2020-21 and 2021-22, the Company implemented several strategic cost control measures, and evolved towards an asset-light model marked by lower overheads and liabilities.
- (iii) During the financial year 2021-22, the Company further strengthened the effectiveness of its manufacturing operations, improved the inventory turnaround time and widened its marketing cum distribution network.
- (iv) Despite generating substantial profits during the financial year 2021-22, the Company continues to carry a debit balance of Retained Earnings on its balance sheet at on 31 March 2022. At the same time, the Company has unutilized balances lying under various reserves, which are neither earmarked for any specific purpose, nor have any lien marked thereon and/or obligation attached thereto.
- (v) In the circumstances, the Company is of the view that the financial statements of the Company are not reflective of its true current financial health and therefore, it is necessary to reduce and reorganize the capital of the Company.

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[Signature]



10. Towards achieving the said objectives, the Scheme of Arrangement has been proposed by the Petitioner Company **Mafatlal Industries Limited** and their shareholders for the reduction and reorganization of the Capital of the Company pursuant to section 230 of the Companies Act 2013. Some of the main terms of the said Scheme of Arrangement are as:

"Appointed Date" means 1 April 2022 or such other date as may be approved by the Tribunal;"

"Effective Date" means the day on which last of the conditions specified in Clause 13 (Conditions Precedent) of this Scheme are complied with or otherwise duly waived;

Reference in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" or "effect of this Scheme" or "upon the Scheme becoming effective" shall mean the Effective Date;

"2.2 The details of other equity including the various Reserves and Surplus of the Company as on 31 March 2022, are as under:

Sr. No.	Particulars	Amount in Rs.
1	Securities premium	176,26,44,605.12
2.	Capital Reserve No.1	61,16,314.00
3.	Capital Reserve No. 2	35,00,000.00
4.	Capital Reserve	36,34,48,000.00



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	on Amalgamation	
5.	Capital Redemption Reserve	83,83,13559.00
6.	Capital Investment Reserve	75,96,408.91
7.	Investment Reserve	1,77,663.00
8.	ESOP Reserve	75,78,714.66
9.	Export Profit Reserve	20,00,000.00
10.	Retained earnings	(226,44,81,517.00)
11.	General Reserve	6,20,00,000.00
12.	FVOCI Equity Investments Reserve	592,98,59,455.53

"REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

5. REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

5.1 Upon the Scheme becoming effective, the credit balance of following reserves as appearing in books of accounts of the Company as on the Appointed Date, shall be adjusted against the entire negative balance of the Retained Earnings of the Company, to the extent permissible under Law, in the following chronological order:

5.1.1 Entire credit balance of " Capital Reserve No. 1";



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5.1.2 Entire credit balance of "Capital Reserve No. 2";

5.1.3 Entire credit balance of "Capital Reserve on Amalgamation";

5.1.4 Entire credit balance of "Capital Redemption Reserve";

5.1.5 Credit Balance of "Securities Premium", to the extent required (i.e. Rs. 105,31,03,644.00) for adjustment of remaining debit balance of the Retained Earnings of the Company.

5.2 The reduction and reorganization of the capital of the Company, as stated in Clause 5.1 above, shall be effected as an integral part of this Scheme itself, and the order of the Tribunal sanctioning this Scheme shall confirm the reduction and reorganization of capital of the Company.

5.3 Pursuant to the Scheme, there is no outflow of/ payout of funds from the Company and hence, the interest of the shareholders/ creditors is not adversely affected. For the removal of doubt, it is expressly recorded and clarified that the Scheme shall not in any manner involve distribution of capital reserves or revenue reserves and shall be in accordance with the accounting standards prescribed under provisions of Section 133 of the Act.

5.4 The reduction and reorganization of capital of the Company would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.

5.5 Notwithstanding the reduction of capital, as stated in Clause 5.1 above, the Company shall not be required to add 'And Reduced' as suffix to its name.



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5.6 This Scheme is an "arrangement" between the Company and its shareholders under Section 230 of the Act and does not envisage the transfer of vesting of any properties and/or liabilities as contemplated in Sections 230 to 232 and other applicable provisions of the Act. This Scheme does not involve any "conveyance" or "transfer" of any property/liabilities and does not relate to amalgamation or merger or demerger of companies in terms of Sections 230 to 232 of the Act. Accordingly, this Scheme and the order sanctioning this Scheme shall not be deemed to be a conveyance within the meaning of the Gujarat Stamp Act, 1958, and therefore no stamp duty shall be payable on the Scheme and / or the order sanctioning this Scheme."

6. Accounting Treatment in the Books of the Company

"6.1.1 The credit balances of the below mentioned reserves in books of accounts of the Company as on the Appointed Date shall be reclassified and credited to the Retained Earnings of the Company, so as to set off the negative balance of Retained Earnings to the extent of Rs.226,44,81,517 (Rupees Two Twenty Six Crores Forty Four Lakhs Eighty One Thousands Five Hundred and Seventeen Only) and shall be adjusted as under:

- (a) Entire credit balance of Rs. 61,16,314.00 appearing as "Capital Reserve 1"
- (b) Entire credit balance of Rs. 35,00,000.00 appearing as "Capital Reserve 2";



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(c) Entire credit balance of Rs. 36,34,48,000.00 appearing as "Capital Reserve on Amalgamation";

(d) Entire credit balance of Rs. 83,83,13,559.00 appearing as "Capital Redemption Reserve."

(e) Remaining unadjusted debit balance of Retained Earnings of Rs. 105,31,03,644.00 shall be adjusted against the credit balance of Securities Premium, and to that extent the Securities Premium shall stand reduced.

6.2 The Company will pass appropriate adjustment entries in prudent and commercially acceptable manner; and

6.3 For accounting purpose, the reduction and reorganization of capital of the Company will be given effect on the date when all substantial conditions for the reduction and reorganization of capital are completed".

10"LEGAL PROCEEDINGS

Upon the Scheme becoming effective, all suits, actions, administrative proceedings, tribunals proceedings, show cause notices, demands and legal proceedings of whatsoever nature by or against the Company pending and/or arising on or before the Effective Date or which may be instituted any time thereafter shall not abate or be discontinued or be in any way prejudicially affected by reason of this Scheme or by anything contained in this Scheme but shall be continued and be enforced by or against the Company.

11. APPLICATIONS/PETITIONS TO THE TRIBUNAL

The Company shall make and file all applications and petitions under Sections 230 and other applicable provisions of the Act



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before the Tribunal, for sanction of this Scheme under the provisions of the Act.

12. MODIFICATION OR AMENDMENTS TO THIS SCHEME

- a. The Board may make any modifications or amendments to this Scheme at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or appropriate. The Board may consent to any conditions or limitations or may make any modifications to the Scheme that the Tribunal or any other Appropriate Authority may impose.
- b. For the purposes of giving effect to this Scheme, the Board may give such directions including directions for settling any question or difficulty that may arise and such directions shall be binding as if the same were specifically incorporated in this Scheme.

14. WITHDRAWAL OF THIS SCHEME AND NON-RECEIPT OF APPROVALS

- a. The Company shall be at liberty to withdraw the Scheme, any time before the Scheme is effective.
- b. In the event of withdrawal of the Scheme under Clause 14.1 above, no rights and liabilities whatsoever shall accrue or be incurred by the Company or its shareholders or creditors or employees or any other Person.
- c. In the event of any of the requisite sanctions and approvals not being obtained on or before such date as may be decided by the Company, this Scheme shall become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred upon the Company or their shareholders or creditors or employees or any other Person in terms of this Scheme."



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11. The proposed reduction in and reorganization of the capital of the Petitioner Company does not involve any financial outlay on the part of the Petitioner Company and is only in the nature of a book entry. Consequently, such a reduction and reorganization, will also not cause any prejudice to the Creditors of the Petitioner Company. For the sake of clarity, the Petitioner Company states that the reduction and reorganization of the capital does not involve either the diminution of any liability in respect of the unpaid capital or the payment to any Shareholder of any paid-up capital nor is any being waived. No Creditors of the Petitioner Company are being affected by the proposed reduction and reorganization of the capital as there is no reduction in the amount payable to any of the Creditors. No compromise or arrangement is contemplated with the Creditors and also there is no reduction in the security, which the creditors may have in the Petitioner Company. Further, the proposed Scheme of Arrangement would not in any way adversely affect the ordinary operations of the Petitioner Company to honour its commitments or pay its debts in the ordinary course of business.

12. The List of Directors of said Petitioner Company is hereto annexed as **Annexure- [F]**. The Directors of the Petitioner Company do not have any special interest in the said Scheme.

13. The Board of Directors of the Petitioner Company have at the meeting of its Board of Directors held on 14th November 2022, approved the said Scheme. Hereto annexed and marked **Annexure- [G]** is a copy of the said Board Resolution of the Petitioner Company dated 14th November



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2022, approving the said scheme between **Mafatlal Industries Limited** and their shareholders for the reduction and reorganization of the Capital of the Company pursuant to section 230 of the Companies Act 2013 and appointing the authorised representative to, *inter alia*, file this Petition.

14. The Petitioner Company's Equity shares are listed on Bombay Stock Exchange Ltd. ("BSE").

15. The Petitioner Company had by their letter dated 23rd November 2022 addressed to BSE, sought their in-principle approval to the said Scheme pursuant to Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. BSE accorded their in-principle approval for the said Scheme vide their letter bearing Ref No. DCS/AMAL/PB/R37/2879/2023-24 dated 22nd August 2023. A copy of the said approval dated 22nd August 2023 is hereto annexed and marked as **Annexure- [H]**.

16. The Petitioner Company had filed an application before this Hon'ble Tribunal being CA (CAA) No. 61 of 2023 inter alia seeking to direct meeting of the Equity Shareholders for the purpose of considering, it though fit, approving with or without modification(s) the Scheme of Arrangement between Petitioner Company and its Shareholders and to dispense with the meeting of the secured creditors and unsecured creditors. The Hon'ble Tribunal vide Order dated 19th December, 2023 ("said order") directed to hold separate meetings of the Equity Shareholders, the Secured Creditors and the Unsecured Creditors of the Petitioner Company with quorum more particularly set out therein and



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appointed Mr. Anilkumar B., Advocate, as the Chairperson to preside over the meetings and Mr. Hitesh Buch, Practicing, Company Secretary as a Scrutinizer to report the result of the said meetings to the Hon'ble Tribunal. Copy of the order dt. 19.12.2023 passed by this Hon'ble Tribunal in CA (CAA) No. 61 of 2023 is annexed hereto and marked as Annexure- [I].

17. The Petitioner Company has 58,792 Equity Shareholders as on cut-off date 20th December 2023. Pursuant to the said order dated 19th December 2023, Notice of the Meeting was sent to the Equity Shareholders along with a copy of the Scheme and an Explanatory Statement as required under Sections 230(3) and 102 of the Companies Act, 2013 read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.
18. There are 5 Secured Creditors of the Petitioner Company as on 20th December 2023 (cut-off date). As directed by this Hon'ble Tribunal vide order dated 19th December 2023, Notice of the Meetings was sent to the Secured Creditors along with a copy of the Scheme and an Explanatory Statement as required under Sections 230(3) and 102 of the Companies Act, 2013 read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.
19. The Petitioner Company has a total of 835 Unsecured Creditors as on 20th December 2023 (cut-off date) and the total amount due to them as on that date is Rs 4,46,65,46,325/-. As directed by this Hon'ble Tribunal vide the said order dated 19th December, 2023, Notice of the Meeting was sent to the Unsecured Creditors along with a copy of the Scheme



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and an explanatory statement as required under Sections 230(3) and 102 of the Companies Act, 2013 read Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

20. That, as directed by this Hon'ble Tribunal vide order dated 19th December, 2023 the Petitioner Company had published notice of the said meetings on 23.12.2023 in two newspapers being "Financial Express" (All India Edition) in English language and "Financial Express" in Gujarati Language.

21. The Petitioner Company has also filed an Affidavit dated 16.01.2024, in CA(CAA) No. 61 of 2023, evidencing publication of Advertisement in Newspaper and service of notice to the concerned authorities and also to the secured creditors, unsecured creditors and equity shareholders. Copy of the said Affidavits dt. 16.01.2024 filed in CA(CAA) No. 61 of 2023 is annexed hereto and marked as **Annexure- [J]**.

22. That the Petitioner Company had received letter dated 2nd January, 2024 bearing reference no. RD/(NWR)/230-232/(735)/2023-24/3763 from the office of the Regional Director, North West Region, replying to the Petitioner Company's notice dated 26th December, 2023 seeking clarification as mentioned in the said letter dated 2nd January, 2024. Hereto annexed and marked **Annexure- [K]** is a copy of the said letter dated 2nd January, 2024.

23. Further, the Petitioner Company vide letter dated 9th January, 2024 addressed to the Regional Director, North West Region, explained the compliances of all the requirements /directions as sought for in the said letter dated 2nd January 2024. However, no reply/response has been



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given by the Regional Director, North West Region to the letter dt. 09.01.2024 given by the Petitioner Company. Hereto annexed and marked **Annexure- [L]** is a copy of the said reply dated 9th January 2024.

24. That as per the order dt. 19.12.2023 passed by this Hon'ble Tribunal in CA(CAA) 61 of 2023, the Meeting of Equity Shareholders of the Petitioner Company was convened on 24th January 2024 at 11.00 A.M. and the Report of the Result of the Meeting of Equity Shareholders by Chairperson dt. 25.01.2024 was e- filed with this Hon'ble Tribunal on 27.01.2024. A copy of the Report of the Result of the Meeting of Equity Shareholders by Chairperson dt. 25.01.2024 is annexed hereto and marked as **Annexure- [M]**.

25. As per the order dt. 19.12.2023 passed by this Hon'ble Tribunal in CA(CAA) 61 of 2023, the Meeting of Secured Creditors of the Petitioner Company was convened on 24th January, 2024 at 01.00 P.M. and the Report of the Result of the Meeting of Secured Creditors by Chairperson dt. 25.01.2024 was e- filed with this Hon'ble Tribunal on 27.01.2024. A copy of the Report of the Result of the Meeting of Secured Creditors by Chairperson dt. 25.01.2024 is annexed hereto and marked as **Annexure- [N]**.

26. As per the order dt. 19.12.2023 passed by this Hon'ble Tribunal in CA(CAA) 61 of 2023, the Meeting of Unsecured Creditors of the Petitioner Company was convened on 24th January 2024 at 02.00 P.M. and the Report of the Result of the Meeting of Secured Creditors by Chairperson dt. 25.01.2024 was e- filed with this Hon'ble Tribunal on



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27.01.2024. A copy of the Report of the Result of the Meeting of

UnSecured Creditors by Chairperson dt. 25.01.2024 is annexed hereto and marked as Annexure- [0].

27. The details of the said Meeting are as follows:

a. **Meeting of Equity Shareholders** – The meeting of the Equity Shareholders was attended by 97 (0.164%) Equity Shareholders in person, aggregating 50431240 Equity Shares representing 70.735% of total Numbers of shares of the Company through video conference / other audio-visual means. That the quorum for the meeting was met with as per the order dt. 18.12.2023 passed by this Hon'ble Tribunal in CA(CAA) 61 of 2023.

By consent of the Equity Shareholders present at the said meeting, notice convening the meeting of the Equity Shareholders, the Explanatory Statement and the annexures thereto along with the Scheme were taken as read. The Equity Shareholders present at the meeting were briefed by providing background, rationale and salient features of the Scheme. Equity Shareholders present at the meeting did not raise any issue in respect of the Scheme. Thereafter the following resolution set out in the Notice convening the meeting was put to the members for e-voting, who had not casted their vote by remote e-voting.

"RESOLVED THAT pursuant to the provisions of Section 230 of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, circulars and notifications made thereunder and other applicable provisions, if any (including any statutory modification(s) or re-enactment(s)



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thereof, for the time being in force), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended, read with other applicable SEBI Master Circular, Circulars, the Observation Letter issued by BSE Limited, in this regards and subject to the provisions of the Memorandum and Articles of Association of the Company and subject to the approval of Hon'ble jurisdictional National Company Law Tribunal, Ahmedabad Bench ("Tribunal") and subject to such other approvals, permissions and sanctions of regulatory and other authorities, as may be necessary and subject to such conditions and modifications as may be deemed appropriate by the Company, at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or as may be prescribed or imposed by the tribunal or by any regulatory or other authorities, while granting such approvals, permissions and sanctions, the arrangement embodied in the proposed Scheme of Arrangement between Mafatlal Industries Limited & its shareholders ("Scheme"), be and is hereby approved;

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this Resolution and effectively implement the arrangement embodied in the Scheme and to make any modifications or amendments to the Scheme at any time and for any reason whatsoever, and to accept such modifications, amendments, limitations and/or conditions, if any, which may be required and/or imposed by the tribunal while sanctioning the arrangement embodied in the Scheme or by any authorities under law, or as may be required for the purpose of resolving any questions or doubts or difficulties that may arise including passing of such accounting entries and/or making such adjustments in the books of accounts as considered necessary in giving effect to the Scheme, as the Board may deem fit and proper, without being required to seek any further approval of the Shareholders, Secured Creditors and Unsecured Creditors and the Shareholders, Secured



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Creditors and Unsecured Creditors shall be deemed to have given their approval thereto expressly by authority under this Resolution ."

That, total number of 124 equity shareholders voted on the said Resolution. Out of these, 86 voted by remote e-voting while the balance 38 voted by e-voting at the meeting. That, out of 124 equity shareholder, 121 equity shareholders voted in favour of the Resolution through remote e-voting constituting 99.99% of the total number of valid votes cast and 2 equity shareholders voted against the Resolution through remote e-voting constituting 0.0042% of the total number of valid votes cast and 1 equity shareholder abstained from voting.

Further, out of the total number of 124 voters, 109 were the public shareholders (excluding promoters and promoters' group) out of which 106 voters (value wise 99.9958%) voted in favour of the resolution and 2 non promoters (value wise 0.0042%) voted against the Resolution and one non promoter abstained from the voting. As such the said Resolution was passed by the shareholders with requisite majority by number as well as by value.

b. Meeting of Secured Creditors- The meeting of the secured creditors was attended by all 5 (100%) secured creditors, aggregating to value of Rs. 122,88,72,818/- representing 100% of total value of debt of the Applicant Company through video conference / other audio-visual means. That the quorum for the meeting was met with as per the



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order dt. 18.12.2023 passed by this Hon'ble Tribunal in CA(CAA) 61 of 2023.

By consent of the secured creditors present at the said meeting, notice convening the meeting of the secured creditors, the Explanatory Statement and the annexures thereto along with the Scheme were taken as read. The secured creditors present at the meeting were briefed by providing background, rationale and salient features of the Scheme. The secured creditors present at the meeting did not raise any issue in respect of the Scheme. Thereafter the following resolution set out in the Notice convening the meeting was put to the secured creditors for e-voting, who had not casted their vote by remote e-voting.

***"RESOLVED THAT** pursuant to the provisions of Section 230 of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, circulars and notifications made thereunder and other applicable provisions, if any (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended, read with other applicable SEBI Master Circular, Circulars, the Observation Letter issued by BSE Limited , in this regards and subject to the provisions of the Memorandum and Articles of Association of the Company and subject to the approval of Hon'ble jurisdictional National Company Law Tribunal, Ahmedabad Bench ("Tribunal") and subject to such other approvals, permissions and sanctions of regulatory and other authorities, as may be necessary and subject to such conditions and modifications as may be deemed appropriate by the Company, at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or as may be prescribed or imposed by the tribunal or by any regulatory or other authorities, while granting such approvals, permissions and sanctions, the*



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Company Secretary

arrangement embodied in the proposed Scheme of Arrangement between Mafatlal Industries Limited & its shareholders ("Scheme"), be and is hereby approved;

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this Resolution and effectively implement the arrangement embodied in the Scheme and to make any modifications or amendments to the Scheme at any time and for any reason whatsoever, and to accept such modifications, amendments, limitations and/or conditions, if any, which may be required and/or imposed by the tribunal while sanctioning the arrangement embodied in the Scheme or by any authorities under law, or as may be required for the purpose of resolving any questions or doubts or difficulties that may arise including passing of such accounting entries and/or making such adjustments in the books of accounts as considered necessary in giving effect to the Scheme, as the Board may deem fit and proper, without being required to seek any further approval of the Shareholders, Secured Creditors and Unsecured Creditors and the Shareholders, Secured Creditors and Unsecured Creditors shall be deemed to have given their approval thereto expressly by authority under this Resolution."

Total 5 secured creditors voted in favour of the Resolution through remote e-voting constituting 100% of the total number of valid votes casted and none voted against the Resolution.

c. Meeting of Unsecured Creditors – The meeting of the unsecured creditors was attended by 68 (8.14%) unsecured creditors aggregating to value of Rs. 1636821859 representing 36% of the total value of debt of the Petitioner Company. That the quorum for the meeting was met with as per the order dt. 18.12.2023 passed by this Hon'ble Tribunal in CA(CAA) 61 of 2023.



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By consent of the unsecured creditors present at the said meeting, notice convening the meeting of the unsecured creditors, the Explanatory Statement and the annexures thereto along with the Scheme were taken as read. The unsecured creditors present at the meeting were briefed by providing background, rationale and salient features of the Scheme. The unsecured creditors present at the meeting did not raise any issue in respect of the Scheme. Thereafter the following resolution set out in the Notice convening the meeting was put to the unsecured creditors for e-voting, who had not casted their vote by remote e-voting.

"RESOLVED THAT pursuant to the provisions of Section 230 of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, circulars and notifications made thereunder and other applicable provisions, if any (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended, read with other applicable SEBI Master Circular, Circulars, the Observation Letter issued by BSE Limited, in this regards and subject to the provisions of the Memorandum and Articles of Association of the Company and subject to the approval of Hon'ble jurisdictional National Company Law Tribunal, Ahmedabad Bench ("Tribunal") and subject to such other approvals, permissions and sanctions of regulatory and other authorities, as may be necessary and subject to such conditions and modifications as may be deemed appropriate by the Company, at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or as may be prescribed or imposed by the tribunal or by any regulatory or other authorities, while granting such approvals, permissions and sanctions, the arrangement embodied in the proposed Scheme of Arrangement between Mafatlal Industries Limited & its shareholders ("Scheme"), be and is hereby approved;

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its



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absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this Resolution and effectively implement the arrangement embodied in the Scheme and to make any modifications or amendments to the Scheme at any time and for any reason whatsoever, and to accept such modifications, amendments, limitations and/or conditions, if any, which may be required and/or imposed by the tribunal while sanctioning the arrangement embodied in the Scheme or by any authorities under law, or as may be required for the purpose of resolving any questions or doubts or difficulties that may arise including passing of such accounting entries and/or making such adjustments in the books of accounts as considered necessary in giving effect to the Scheme, as the Board may deem fit and proper, without being required to seek any further approval of the Shareholders, Secured Creditors and Unsecured Creditors and the Shareholders, Secured Creditors and Unsecured Creditors shall be deemed to have given their approval thereto expressly by authority under this Resolution .”

Total number of 197 unsecured creditors voted on the said Resolution. Out of these, 194 unsecured creditors voted in favour of the Resolution through remote e-voting constituting 99.89% of the total number of valid votes casted and none voted against the Resolution. Further, as on the date of Meeting, 68 Unsecured creditors attended meeting through video conference / other audio-visual means. Out of them 3 unsecured creditors casted their votes in favour of the resolution representing 0.1008 % of total number of valid votes casted and none voted against the resolution.

28. There are no investigations proceeding pending and/or instituted against the Petitioner Company under sections 235 to 251 or any other provisions of the Companies Act 1956 or sections 206 to 209 of the Companies Act, 2013. However, ROC has initiated proceedings against some of the Directors/Ex-Directors and KMP of Mafatlal Industries Limited (Petitioner Company) before The Metropolitan Magistrate



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Court, Ahmedabad against which the said Directors have preferred
Petition u/s.482 of the Criminal Procedure Code before Hon'ble Gujarat
High Court. The status and details of said cases are as under.

Metropolitan Magistrate Court Ahmedabad					Hon'ble Gujarat High Court Application u/s. 482 Cr. P.C.		
Sr. No.	Registr- ation Numbe r	Section of Companies Act, 2013	Status	Hearing Date	Registr- ation no.	Interim order passed	Next date
1	29860/ 2018	Section 134(3)(1) Director Report	Pendi ng	30.4.20 24	2561/20 22	Stay granted in terms of interim prayer	Not upda ted
2	23349/ 2018	Section 129 (HAM, PHM) Relationshi p (Consolidat e)	Pendi ng	30.4.20 24	2582/20 22	Stay granted in terms of interim prayer	Not upda ted
3	23357/ 2018	Section 129 CS, CFO	Pendi ng	30.4.20 24	2569/20 22	Stay granted in terms of interim prayer	Not upda ted
4	23348/ 2018	Section 129 (HAM, PHM) Relationshi p (Standalon e)	Pendi ng	30.4.20 24	2603/20 22	Stay granted in terms of interim prayer	Not upda ted
5	13328/ 2020	Sec.158 of the Companies Act	Pendi ng	30.4.20 24	NA	NA	NA
6	Crimina l Case No 3/2019	Section 134 (3)(f) A19 of Companies	Pendi ng	16.2.20 24	7574/20 19	Stay granted in terms of	23.2. 24.



For, Mafatlal Industries Limited

Amish Shah
Company Secretary

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	SPCS COMP/ 3/2019	Act, 2013				interim prayer	
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With respect to Criminal Case No.13328/2020 (as mentioned in Serial No.5 above), the Petitioner Company has also been made a party as an Accused. The Petitioner Company has preferred Criminal Revision Application before the Hon'ble City Sessions Court, Ahmedabad vide Criminal Revision Application No.: 82/2020. The said matter is admitted and pending for hearing. The Next Date is 15.02.2024.

29. There is no winding up petition against the Petitioner Company pending in any Court or Tribunal in India.

30. The Accounting treatment provided in the scheme is in compliance section 133 of the Companies Act 2013. A copy of the certificate dated 14.11.2022 of the statutory auditor in this regard is hereto annexed and marked as Annexure- [9].

31. The reduction and reorganization does not violate, override or circumvent any provision of the Companies Act and the rules and regulations framed thereunder.

32. The Sanctioning of the said Scheme of Arrangement will be for the benefit of the Company and its shareholders.

33. **Reliefs Sought:**

The Petitioner Company therefore prays:

(a) That the said Scheme of Arrangement under section 230 of the Companies Act, 2013 for the reduction and reorganization of the



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Company Secretary

capital of the Petitioner Company [Annexure-(A)] be sanctioned by this Hon'ble Tribunal inter alia to be binding on all the creditors, shareholders, stakeholders and all other persons concerned qua the petitioner company.

(b) For orders in respect of such incidental and consequential and supplemental nature as are necessary to ensure that the Scheme [Annexure-(A)] is fully and effectively be carried out;

(c) Such further and other orders be passed as this Hon'ble Tribunal may deem fit and proper;

Place: Ahmedabad)

Dated this day of February 2024)



For, Mafatlal Industries Limited

Amish Shah
Company Secretary

Amish Shah

Company Secretary & Compliance Officer

Mafatlal Industries Limited

Arjun R. Sheth

Adv. & Solicitor

For the Petitioner Company



IN THE NATIONAL COMPANY LAW TRIBUNAL

BENCH AT AHMEDABAD

CP(CAA) NO. _____ OF 2024

IN

CA (CAA) NO. 61 OF 2023

IN THE MATTER OF:

MAFATLAL INDUSTRIES LIMITED

....PETITIONER COMPANY

AFFIDAVIT VERIFYING THE PETITION

I, Amish Shah, aged _____ years, having office at 301-302, Heritage Horizon, 3rd Floor, Off. CG Road, Navrangpura, Ahmedabad- 380009 do solemnly affirm and state as follows:

1. I am the Company Secretary and Compliance Officer of Mafatlal Industries Limited, the Petitioner Company in the above matter and am duly authorized to make this affidavit on its behalf.
2. The statement made in paragraphs no. 1 to 32 of the petition herein now shown to me are true to my knowledge and are based on the information, and I believe them to be true and paragraph 33 of this petition are the prayers to this Hon'ble Tribunal.

Solemnly affirmed at Ahmedabad on this 03 day of February, 2024.

For, Mafatlal Industries Limited

Amish Shah
Company Secretary
Deponent

SR. No. 2825 / 2024
SOLEMNLY AFFIRMED
BEFORE ME

KANAKSINH K. VAGHELA, NOTARY
DATE 03/02/2024



Annexure - A

**SCHEME OF ARRANGEMENT
BETWEEN
MAFATLAL INDUSTRIES LIMITED
AND
ITS SHAREHOLDERS**

**UNDER SECTION 230 AND OTHER APPLICABLE PROVISIONS OF THE
COMPANIES ACT, 2013**

(A) PREAMBLE

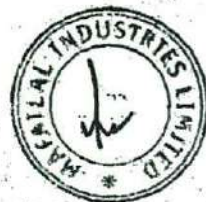
This Scheme of Arrangement ("Scheme") provides for reduction and reorganization of the capital of Mafatlal Industries Limited pursuant to the provisions of Sections 230 and other applicable provisions of the Companies Act, 2013 ("the Act"). This Scheme also provides for various other matters consequential thereto or otherwise integrally connected therewith.

(B) DESCRIPTION OF THE COMPANY

Mafatlal Industries Limited ("the Company") is a company incorporated under the provisions of the Indian Companies Act, 1882. The Company is principally engaged in the business of manufacturing, trading, dealing, and marketing textile and other business for more than 100 years. The equity shares of the Company are listed on the Stock Exchange (as defined hereinafter).

(C) PARTS OF THE SCHEME

The Scheme is divided into the following parts:



For, Mafatlal Industries Limited

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Amish Shah
Company Secretary

[Signature]



1. **PART I** deals with the definitions of capitalized terms used in the Scheme, the details of the share capital of the Company and date of taking effect and implementation of this Scheme;
2. **PART II** deal with rationale for the Scheme;
3. **PART III** deals with reduction and reorganization of capital and reserves of the Company; and
4. **PART IV** deals with the general terms and conditions applicable to the Scheme.

PART I

DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS

- 1.1. In this Scheme, (i) capitalised terms defined by inclusion in quotations and/ or parenthesis shall have the meanings so ascribed; and (ii) the following expressions shall have the meanings ascribed hereunder:

“Act” means the Companies Act, 2013;

“Appointed Date” means 1 April 2022 or such other date as may be approved by the Tribunal;

“Appropriate Authority” means:

- a) the government of any jurisdiction (including any national, state, municipal or local government or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, tribunal, central bank, commission or other authority thereof;
- b) any governmental, quasi-governmental or private body or agency lawfully exercising or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, tax, importing, exporting or other governmental or quasi- governmental authority including without limitation, SEBI (*as defined hereinafter*), and the Tribunal (*as defined hereinafter*); and
- c) any Stock Exchange.



For, Mafatlal Industries Limited

Amish Shah
Company Secretary



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"Board" in relation to the Company means the board of directors of the Company and shall include a committee of directors or any person authorized by such board of directors or such committee of directors duly constituted and authorized for the matters pertaining to this Scheme or any other matter relating hereto;

"Company" means Mafatlal Industries Limited, a company incorporated under the provisions of the Indian Companies Act, 1882, having Corporate Identity Number L17110GJ1913PLC000035 and its registered office at 301-302, Heritage Horizon, Third Floor, Off. C. G. Road, Navrangpura, Ahmedabad, Gujarat, India - 380009;

"Effective Date" means the day on which last of the conditions specified in Clause 13 (Conditions Precedent) of this Scheme are complied with or otherwise duly waived;

Reference in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" or "effect of this Scheme" or "upon the Scheme becoming effective" shall mean the Effective Date;

"Person" means an individual, a partnership, a corporation, a limited liability partnership, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or an Appropriate Authority;

"Retained Earnings" means the amount appearing in the annual financial statements of the Company as "retained earnings" under "Reserves and Surplus" and representing the cumulative profit / (loss) of the Company;

"RoC" means the relevant jurisdictional Registrar of Companies having jurisdiction over the Company;

"Rs" or "Rupee(s)" or "INR" means Indian Rupee, the lawful currency of the Republic of India;

"Scheme" or "this Scheme" means this scheme of arrangement as modified from time to time;

"SEBI" means the Securities and Exchange Board of India;

"SEBI LODR Regulations" means SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended from time to time;



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For, Mafatlal Industries Limited

Amish Shah
Company Secretary



"Stock Exchanges" means BSE Limited;

"Tax Laws" means all applicable laws dealing with Taxes including but not limited to income-tax, wealth tax, sales tax / value added tax, service tax, goods and service tax, excise duty, customs duty or any other levy of similar nature;

"Taxation" or "Tax" or "Taxes" means all forms of taxes and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies, whether levied by reference to income, profits, book profits, gains, net wealth, asset values, turnover, added value, goods and services or otherwise and shall further include payments in respect of or on account of Tax, whether by way of deduction at source, collection at source, dividend distribution tax, advance tax, minimum alternate tax, goods and services tax or otherwise or attributable directly or primarily to the Company or any other Person and all penalties, charges, costs and interest relating thereto; and

"Tribunal" means the Ahmedabad Bench of the National Company Law Tribunal ("NCLT") having jurisdiction over the Company.

1.2. In this Scheme, unless the context otherwise requires:

- 1.2.1. words denoting the singular shall include the plural and *vice versa*;
- 1.2.2. any Person includes that Person's legal heirs, administrators, executors, liquidators, successors, successors-in-interest and permitted assigns, as the case may be;
- 1.2.3. headings, sub-headings, titles, sub-titles to clauses, sub-clauses and paragraphs are for information and convenience only and shall be ignored in construing the same; and
- 1.2.4. the words "include" and "including" are to be construed without limitation.



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2. SHARE CAPITAL AND OTHER EQUITY

2.1. The share capital of the Company as on 31 March 2022 is as follows;

Particulars	Amount (Rs.)
Authorised Share Capital:	
1,42,45,081 Equity Shares of Rs. 10/- each	14,24,50,810
8,57,54,919 Unclassified Shares of Rs. 10/- each	85,75,49,190
Total Authorised Capital	1,00,00,00,000

Particulars	Amount (Rs.)
Issued Capital:	
1,40,71,386 Equity Shares of Rs. 10/- each *	14,07,13,860
Subscribed & Paid-Up Capital:	
1,40,71,386 fully paid-up Equity Shares of Rs. 10/- each	14,07,13,860

*The Issued and Paid-Up Capital is as on 31st March 2022. The Issued and Paid-Up Capital has increased subsequently due to issuance of 25,100 number of Shares of face value of Rs. 10/- each under The Mafatlal Employee Stock Option Scheme, 2017.

The members of the Company, vide ordinary resolution through postal ballot dated 7th November, 2022 have approved reclassification of authorised share capital and sub-division of equity shares of the Company. 25th November, 2022 is record date for the purpose of new sub-division of equity Shares of the Company. After reclassification of authorised share capital and sub-division of equity shares of the Company as aforesaid, the capital structure of the Company will be:



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For, Mafatlal Industries Limited

Amish Shah
Company Secretary



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Particulars	Amount (Rs.)
Authorised Share Capital:	
35,00,00,000 Equity Shares of Rs. 2/- each	70,00,00,000
3,00,00,000 Preference Shares of Rs. 10/- each	30,00,00,000
Total Authorised Capital	1,00,00,00,000

Issued Capital:	
7,04,82,430 Equity Shares of Rs. 2/- each	14,09,64,860
Subscribed & Paid-Up Capital:	
7,04,82,430 fully paid-up Equity Shares of Rs. 2/- each	14,09,64,860

Equity Shares of MIL are listed on Bombay Stock Exchange Limited (BSE)

2.2 The details of Reserves and Surplus of the Company as on 31 March 2022, as per the last audited balance sheet are as under:

Sr. No.	Particulars	Amount in Rs.
1	Capital Reserve No.1	61,16,314.00
2	Capital Reserve No. 2	35,00,000.00
3	Capital Reserve on Amalgamation	36,34,48,000.00
4	Capital Redemption Reserve	83,83,13,559.00
5	Securities premium	176,26,44,605.12
6	Capital Investment Reserve	75,96,408.91
7	Investment Reserve	1,77,663.00
8	ESOP Reserve	75,78,714.66
9	Export Profit Reserve	20,00,000.00
10	Retained earnings	(226,44,81,517.00)
11	General Reserve	6,20,00,000.00
12	FVOCI Equity Investments Reserve	592,98,59,455.53



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For, Mafatlal Industries Limited

Amish Shah
Company Secretary



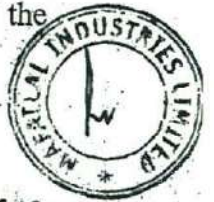
3. DATE OF TAKING EFFECT AND IMPLEMENTATION OF THIS SCHEME

This Scheme in its present form or with any modification(s) made as per Clause 12 of this Scheme, shall become effective and operative from the Effective Date.

PART - II

4. RATIONAL FOR THE SCHEME

- 4.1 The Company had suffered substantial losses during the past few years, due to which the Company's retained earnings had turned negative.
- 4.2 During the financial years 2020-21 and 2021-22, the Company implemented several strategic cost control measures, and evolved towards an asset-light model marked by lower overheads and liabilities.
- 4.3 During the financial year 2021-22, the Company further strengthened the effectiveness of its manufacturing operations, improved the inventory turnaround time and widened its marketing cum distribution network.
- 4.4 Despite generating substantial profits during the financial year 2021-22, the Company continues to carry a debit balance of Retained Earnings (*as defined hereinbefore under sub-clause 1.1 of clause 1 "Definitions"*) on its balance sheet as on 31 March 2022. At the same time, the Company has unutilized balances lying under various reserves, which are neither earmarked for any specific purpose, nor have any lien marked thereon and/or obligation attached thereto.
- 4.5 In the circumstances, the Company is of the view that the financial statements of the Company are not reflective of its true current financial health and therefore, it is necessary to reduce and reorganize the capital of the Company.
- 4.6 The Scheme proposes to set-off the debit balance of Retained Earnings of the Company as on the Appointed Date against the credit balance lying under various reserves as specified herein.
- 4.7 The proposed reduction and reorganization of the capital is in the interest of the Company, its shareholders, creditors and all concerned stakeholders. If the Scheme is approved, the books of the Company would present a fair representation of the



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For, Mafatlal Industries Limited

mish Shah
Company Secretary



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(8)

financial position of the Company, and would enable the Company to explore opportunities for the benefit of its shareholders.

PART III

REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

5. REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

- 5.1 Upon the Scheme becoming effective, the credit balance of following reserves as appearing in books of accounts of the Company as on the Appointed Date, shall be adjusted against the entire debit balance of the Retained Earnings of the Company as on the Appointed Date, to the extent permissible under Law, in the following chronological order:
- 5.1.1 Entire credit balance of "Capital Reserve No. 1";
 - 5.1.2 Entire credit balance of "Capital Reserve No. 2";
 - 5.1.3 Entire credit balance of "Capital Reserve on Amalgamation";
 - 5.1.4 Entire credit balance of "Capital Redemption Reserve";
 - 5.1.5 Credit Balance of "Securities Premium", to the extent required (i.e. Rs. 105,31,03,644.00) for adjustment of remaining debit balance of the Retained Earnings of the Company.
- 5.2 The reduction and reorganization of the capital of the Company, as stated in Clause 5.1 above, shall be effected as an integral part of this Scheme itself, and the order of the Tribunal sanctioning this Scheme shall confirm the reduction and reorganization of capital of the Company.
- 5.3 Pursuant to the Scheme, there is no outflow of/ payout of funds from the Company and hence, the interest of the shareholders/ creditors is not adversely affected. For the removal of doubt, it is expressly recorded and clarified that the Scheme shall not in any manner involve distribution of capital reserves or revenue reserves and shall be in accordance with the accounting standards prescribed under provisions of Section 133 of the Act.



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For, Mafatal Industries Limited

Shah
Secretary



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- 5.4 The reduction and reorganization of capital of the Company would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.
- 5.5 Notwithstanding the reduction of capital, as stated in Clause 5.1 above, the Company shall not be required to add "And Reduced" as suffix to its name.
- 5.6 This Scheme is an "arrangement" between the Company and its shareholders under Section 230 of the Act and does not envisage the transfer of vesting of any properties and/or liabilities as contemplated in Sections 230 to 232 and other applicable provisions of the Act. This Scheme does not involve any "conveyance" or "transfer" of any property/liabilities and does not relate to amalgamation or merger or demerger of companies in terms of Sections 230 to 232 of the Act. Accordingly, this Scheme and the order sanctioning this Scheme shall not be deemed to be a conveyance within the meaning of the Gujarat Stamp Act, 1958, and therefore no stamp duty shall be payable on the Scheme and / or the order sanctioning this Scheme.
- 5.7 The utilization of the Capital Reserve No. 1, Capital Reserve No. 2, Capital Reserve on Amalgamation, Capital Redemption Reserve and Securities Premium as aforesaid shall be effected as an integral part of the Scheme and the order of the NCLT sanctioning this Scheme shall be deemed to be an order under section 66 read with section 52 and other applicable provisions of the Act and no separate sanction under section 66 read with section 52 and other applicable provisions of the Act will be necessary.
- 6. ACCOUNTING TREATMENT IN THE BOOKS OF THE COMPANY**
- 6.1 Notwithstanding anything else contained in the Scheme, the Company shall account for reduction and reorganization of capital in its books of account in accordance with Indian Accounting Standards ("IND AS") notified under Section 133 of the Act, under the Companies (Indian Accounting Standard) Rules, 2015, as may be amended from time to time and other accounting principles generally accepted in India, such that:
- 6.1.1 The credit balances of the below mentioned reserves in books of accounts of the Company as on the Appointed Date shall be reclassified and credited to the Retained Earnings of the Company as on the Appointed Date, so as to set off the debit balance of Retained Earnings to the extent of Rs. 226,44,81,517.00 (Rupees Two hundred and



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Amish Shah
Company Secretary



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Twenty-Six Crores Forty-Four lakhs Eighty-One Thousand Five Hundred and Seventeen only) and shall be adjusted as under:

- (a) Entire credit balance of Rs. 61,16,314.00 appearing as "Capital Reserve 1"
 - (b) Entire credit balance of Rs. 35,00,000.00 appearing as "Capital Reserve 2";
 - (c) Entire credit balance of Rs. 36,34,48,000.00 appearing as "Capital Reserve on Amalgamation";
 - (d) Entire credit balance of Rs. 83,83,13,559.00 appearing as "Capital Redemption Reserve"
 - (e) Remaining unadjusted debit balance of Retained Earnings of Rs. 105,31,03,644.00 shall be adjusted against the credit balance of Securities Premium, and to that extent the Securities Premium shall stand reduced.
- 6.2 The Company will pass appropriate adjustment entries in prudent and commercially acceptable manner; and
- 6.3 For accounting purpose, the reduction and reorganization of capital of the Company will be given effect on the date when all substantial conditions for the reduction and reorganization of capital are completed.

PART IV

GENERAL TERMS & CONDITIONS

7. EMPLOYEES

The employees of the Company shall, in no way, be affected by the proposed reduction and reorganization of capital, as there is no transfer of employees under the Scheme. On the Scheme becoming effective, all the employees of the Company shall continue with their employment, without any break or interruption in their services, on the same terms and conditions on which they are engaged as on the Effective Date.



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For, Mafatlal Industries Limited

Amish Shah
Company Secretary



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8. CREDITORS

The reduction and reorganization of capital (as set out in Clause 5.1 above) will not cause any prejudice to the creditors of the Company. The creditors of the Company are, in no way, affected by the proposed reduction and reorganization of capital, as there is no reduction in the amount payable to any of the creditors as a result of this Scheme, and no compromise or arrangement is contemplated with the creditors under this Scheme. Further, there is no outflow of cash from the Company. Thus, the proposed adjustment would not, in any way, adversely affect the 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.

9. COMPLIANCE WITH TAX LAWS

The Scheme is in compliance with the applicable Tax Laws. Upon the Scheme becoming effective, the Company shall continue to pay Taxes in accordance with and subject to applicable law.

10. LEGAL PROCEEDINGS

Upon the Scheme becoming effective, all suits, actions, administrative proceedings, tribunals' proceedings, show cause notices, demands and legal proceedings of whatsoever nature by or against the Company pending and/or arising on or before the Effective Date or which may be instituted any time thereafter shall not abate or be discontinued or be in any way prejudicially affected by reason of this Scheme or by anything contained in this Scheme but shall be continued and be enforced by or against the Company.

11. APPLICATIONS/PETITIONS TO THE TRIBUNAL

The Company shall make and file all applications and petitions under Sections 230 and other applicable provisions of the Act before the Tribunal, for sanction of this Scheme under the provisions of the Act.



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For, Mafatlal Industries Limited

Shah



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12. MODIFICATION OR AMENDMENTS TO THIS SCHEME

12.1 The Board may make any modifications or amendments to this Scheme at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or appropriate. The Board may consent to any conditions or limitations or may make any modifications to the Scheme that the Tribunal or any other Appropriate Authority may impose.

12.2 For the purposes of giving effect to this Scheme, the Board may give such directions including directions for settling any question or difficulty that may arise and such directions shall be binding as if the same were specifically incorporated in this Scheme. With regard to the Scheme including passing of accounting entries and/or making such other adjustments in the books of account as are considered necessary to give effect to the Scheme.

13. CONDITIONS PRECEDENT

13.1 Unless otherwise decided (or waived) by the Board, the Scheme is conditional upon and subject to the following conditions precedent:

13.1.1 obtaining no-objection letter from the Stock Exchange in relation to the Scheme under Regulation 37 of the SEBI LODR Regulations;

13.1.2 approval of the Scheme by the requisite majority of the shareholders and/ or creditors of the Company, as applicable or as may be required under the Act and as may be directed by the Tribunal;

13.1.3 the sanctions and orders of the Tribunal as may be applicable, under Sections 230 to 232 of the Act being obtained by the Company; and

13.1.4 the certified copy of the orders of the Tribunal being filed with the RoC by the Company.

13.1.5 The requisite consent approval or permission of any Appropriate Authority which by applicable law may be necessary for the implementation of this Scheme.

13.2 It is hereby clarified that submission of this Scheme to the Tribunal and to the Appropriate Authorities for their respective approvals is without prejudice to all rights, interests, titles or defences that Company may have under or pursuant to all applicable laws.

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Amish Shah
Company Secretary



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14. WITHDRAWAL OF THIS SCHEME AND NON-RECEIPT OF APPROVALS

- 14.1 The Company shall be at liberty to withdraw the Scheme, any time before the Scheme is effective.
- 14.2 In the event of withdrawal of the Scheme under Clause 14.1 above, no rights and liabilities whatsoever shall accrue or be incurred by the Company or its shareholders or creditors or employees or any other Person.
- 14.3 In the event of any of the requisite sanctions and approvals not being obtained on or before such date as may be decided by the Company (including any extension thereof), this Scheme shall become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred upon the Company or their shareholders or creditors or employees or any other Person in terms of this Scheme.

15. COSTS AND EXPENSES

All costs, charges, taxes, duties, levies, fees and expenses, if any, to the extent applicable and payable in connection with this Scheme, shall be borne and paid by the Company.



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Amish Shah
Company Secretary



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