



# ARCHIDPLY INDUSTRIES LIMITED

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## POSTAL BALLOT NOTICE

### Pursuant to Section 192A(2) of the Companies Act, 1956

Dear Members,

**NOTICE** is hereby given pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 that the Company is seeking the consent of its members through Special Resolutions proposed to be passed by Postal Ballot in respect of the following Special Business:

1. To consider and, if thought fit, to pass the following Resolution as a Special Resolution by Postal Ballot:

“RESOLVED THAT the consent of an authority as required under Section 61 of the Companies Act, 1956 and other applicable provisions, if any, be and is hereby granted to Board of Directors of the Company to delete, add, amend or in any way vary any or all items and conditions of the documents/agreements/contracts specified in the Prospectus, dated June 23, 2008 issued by the Company and members also ratifies the act of Board of Directors to such variations made since the date of issue of the said Prospectus as mentioned in the attached explanatory statement Item No.1”

2. To consider and, if thought fit, to pass the following Resolution as a Special Resolution by Postal Ballot:

“RESOLVED THAT in accordance with the provisions of Section 81 and in particular Section 81(1A) and any other applicable provisions of the Companies Act, 1956 (including any amendment to/or re-enactment thereof), enabling provisions of the Memorandum and Articles of Association of the Company, the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 (including any Amendment/s to the Guidelines), RBI guidelines, Listing Agreements entered into by the Company with Stock Exchanges, where the Shares of the Company are listed agreements entered into by the Central Government in exercise of the powers conferred by the proviso to Sub Clause (iii) of Clause 2 of Section 17 of the Income Tax, 1961, and subject to all necessary approvals, consents, permissions and/or sanctions as may be required from all applicable authorities and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, consents, permissions and/or sanctions which may be agreed by the Board of Directors of the Company (hereinafter referred to as “the Board which term shall include any Committee(s) including, HR & Remuneration/ Compensation committee, by whatever name called, to which the Board may delegate its powers, including the powers conferred by these Resolutions) at its absolute discretion, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time in one or more tranches to or for the benefit of the employees including the Managing Director, Whole-Time director and other non Whole-Time Directors of the Company, who are eligible to participate as per, SEBI Guidelines, under a Scheme titles “Archidply Industries Limited Employee Stock Option Scheme-2009” (hereinafter referred to as “ESOP” or “the Scheme”) the salient features of which are detailed in the Explanatory Statement relevant to this Resolution, such number of option, Equity Shares or Instruments (hereinafter collectively referred to as ‘Securities’) of the Company, which could give rise to the issue of Equity Shares of the Company not exceeding 2,00,000 Equity Shares of Rs.10/- each at Nil price, in such manner, during such period and on such other terms and conditions as may be determined by the Board”.

“RESOLVED FURTHER THAT the Board be and is hereby authorised to allot the said Securities, directly to such employees including the Directors or through an existing trust or a new trust which may be set up for this purpose and to provide any financial assistance to the trust/employees to enable them acquire, purchase or subscribe to the Securities of the Company”.

“RESOLVED FURTHER THAT the new Equity Shares to be issued, allotted by the Company in the manner aforesaid shall rank pari-passu in all respects with the then existing Equity Shares of the Company”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to evolve , decide upon and bring into effect the Scheme and make any amendments, modifications, alterations in the said scheme from time to time, as may be required, including to make necessary adjustments in case of rights issues, bonus issues, stock splits or any other corporate actions subsequently and to settle all questions, difficulties or doubts that may arise in relation to the implementation of the Scheme and to do all such acts, deeds matters and things and execute all such deeds, documents, instruments and writings as it secure any further consent or approval of the Company, unless otherwise required in terms of the Guidelines issued by the SEBI or any other Authority”.

“RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of Board to give effect to this resolution”.

**By Order of the Board  
For Archidply Industries Limited**

**Sd/-  
Rajneesh Sharma  
Company Secretary**

**Date : 29.01.2009  
Place : Bangalore**

**Notes:**

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out material facts is annexed hereto.
2. Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of resolution by Postal Ballot) Rules, 2001, the assent or dissent of the members in respect of the Special Resolutions contained in postal ballot notice dated 29.01.2009 is being determined through postal ballot.
3. The Board of Directors by resolution passed on 29.01.2009 has appointed Mr. S.Anand SS Rao, Company Secretary in Practice as the Scrutinizer, to receive and scrutinize the completed postal ballot papers received from the Members and for conducting the postal ballot process in a fair and transparent manner. The Postage self-addressed Prepaid Envelope attached to this notice bears the address to which duly completed postal ballot form is to be sent.
4. A member desiring to exercise vote by Postal Ballot, is requested to carefully read the instructions printed in the Postal Ballot Form and return the duly completed Form in the attached self-addressed postage prepaid envelope, so as to reach the Scrutinizer on or before 18.03.2009
5. The Board of Directors of the company has appointed Mr. Shyam Daga, Joint Managing Director and Mr. Rajneesh Sharma, Company Secretary as the persons responsible for the entire postal ballot process.
6. The scrutinizer will submit his final report to the Chairman or Managing Director of the Company as soon as possible after the last date of receipt for postal ballot but not later than closing business hours of 20.03.2009
7. The Chairman of the meeting shall announce the result of postal ballot at the Registered Office of the Company situated at 29/2, G.K.Maonr,1<sup>st</sup> Floor, Nehru Circle, Sheshadripuram, Bangalore, 560 020, Karnataka at 4.00 PM on 21<sup>st</sup> day, March, 2009. In the event of the draft resolution is assented by the requisite majority of members by means of postal ballot the date of declaration of postal ballot result will be taken to be the date of passing the special resolutions.
8. All documents referred to in the accompanying Notice and Explanatory Statement is open for inspection at the Registered Office of the Company on all working days except Sundays between 11.00 a.m. to 1.00 p.m. up to 18.03.2009.
9. Only a member entitled to vote is entitled to fill in the postal ballot form and send it to the scrutinizer.
10. Voting rights shall be reckoned on the paid up value of shares registered in the name of the shareholders on the date of despatch of the notice.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to  
the aforesaid resolutions of the notice.**

**ITEM NO.1**

The Company has raised the equity share capital on the basis of the prospectus dated 23.06.2008. Since the issue of the prospectus, some of the terms and conditions of the documents/ contracts mentioned in the prospectus have been modified/ amended as the Board Member thought necessary in the interest of the Company.

The main objective of raising funds through this Issue was setting up a new manufacturing facility of Plain Particle Board (PPB), Pre Laminated Board (PLB) and decorative plywood at Chintamani in Karnataka and a new manufacturing capacity for Medium Density Fibreboard (MDF) at Rudrapur in Uttarakhand.

The Commercial production of the first phase of the Chintamani project for the manufacturing of Decorative Plywood & Prelaminated Particle Board has started in the month of December'2008.

The Board of Directors in their meeting held on 29<sup>th</sup> January, 2009 have decided to postpone the decision of putting up new Particle Board and MDF Plant in view of the economic slow down and import prices of the above products coming down by 30%, thus making investment in the project unviable. The Board of Directors shall constantly review the viability of the aforesaid projects as well as alternate projects.

The Board of Directors have further decided that in lieu of the above postponement of the projects subject to approval of shareholders by postal ballot have decided to approve the utilisation of the IPO funds in the following manner which was not earlier considered in the objects:

1. Expansion of plywood capacity at its existing plant at Rudrapur to the licensed capacity as per the terms of the licence issued to Company for an amount of Rs.30 million.
2. Modification and addition of balancing equipments at its existing particle board plant at Mysore with an investment of Rs. 20 million to update the product range in order to generate better return.
3. Acquisition of land in Assam at Guwahati for future expansion plans to increase its presence in Eastern India, keeping in mind market and timber availability for an amount of Rs 10 million.
4. Instead of taking new bank credit facility for meeting the working capital gap of Rs.200 million the Board has decided to deploy the available fund raised from IPO for the aforesaid purpose and not to use the option of deploying the IPO fund in the fixed deposit thus getting better return on the available fund raised from IPO. The working capital gap has arisen due to economic slowdown and

opening of new company depots at four strategic location at Mumbai, Bangalore, Kolkata and Delhi to better service to unrepresented town and smaller customer across the country.

The particulars of actual utilization of IPO Proceeds upto December 31, 2008 is as under:

		(Rs. in Lakhs)
Particulars		Amount
Chintamani Projects		1,405.25
IPO Expenses		492.76
Security Deposit with Stock Exchange		26.46
Capex - Rudrapur Unit		290.71
Capex – Mysore Unit		118.43
Purchase of Land at Assam		25.56
Fixed Deposit with State Bank of India		324.85
Intercorporate Deposits (not with the Companies promoted by Promoters)		357.00
Temporary paid to Existing units for working capital :		
a. Mysore Unit	Rs. 754.61	
b. Rudrapur Unit	Rs.1100.00	1,854.61
<b>Total</b>		<b>4,895.63</b>

Section 61 of the Companies Act, 1956, requires members consent for varying the terms and conditions of any such contract specified in the prospectus issued by the Company. Accordingly, approval of the members is being sought for to delete, add, amend or in any way vary any or all items and conditions of the agreements/contracts specified in the Prospectus, dated June 23, 2008 issued by the Company and also to ratify the act of Board of Directors to such variations made since the date of issue of the said Prospectus.

Your approval is sought by voting by postal ballot in terms of provisions of Section 192A of the Companies Act, 1956 read with the provisions of Companies (Passing of Resolutions by Postal Ballot) Rules, 2001.

None of the Directors is any way concerned or interested in this resolution proposed to be passed.

## ITEM NO. 2

In order to attract and retain qualified, talented and competent personnel in the Company, your Company has instituted an “Archidply Industries Limited Employee Stock Option Scheme-2009” (hereinafter called as ESOPs) in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999 including any modifications therein from time to time (hereinafter known as SEBI Guidelines).

The salient features of the proposed “Archidply Industries Limited ESOP Scheme-2009” are as follows:

### a. Total Number of Shares/Options to be granted

The total Number of Shares/Options that may be granted will not exceed 2,00,000 Equity Shares of Rs.10/- each. Each option granted, shall entitle the employee to apply for and be allotted one equity share of the Company subject to the fulfillment of vesting requirements.

### b. Identification of classes of employees entitled to participate in the ESOP Scheme

All employees including the Managing Director, Whole Time Director and other Non-Whole Time Directors of the Company as may be eligible in accordance with the SEBI Guidelines are entitled to participate in the Scheme. As per the present Guidelines, an employee who is a Promoter or belongs to Promoter Group is not eligible to participate in ESOP. Further, a Director who either by himself or through relatives or through in any body corporate directly or indirectly holds more than 10% of the outstanding Equity Shares of the Company is not eligible to participate in the ESOPs.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

Grant date of the options shall be the date of Meeting of the HR/Remuneration Committee/the Board in which the options are granted to the employees.

### c. Requirements of vesting, period of vesting and maximum period of vesting

“Vesting means the process by which the grantee is given the right to apply for Shares of the Company against the option granted to him in pursuance of the plan”.

The vesting requirements shall, inter alia consist of satisfactory performance of the employees, their continued employment in the Company and such other reasonable requirements as may be specified by the Compensation Committee.

There shall be minimum period of one year between the grant of options and vesting of options.

The exact proportion in which and the exact period over which the options would vest would be determined by the Remuneration Committee, subject to the minimum vesting period of one year from the date of grant of options.

**d. Exercise Price**

Options would be granted at a nil price of the Equity .

**e. Exercise Period and Process of Exercise**

The options shall be exercised within a period of 1 year from the date of vesting. The options will be exercisable by the employees by written application to the Company to exercise the options in such manner and on execution of such documents as may be prescribed by the HR Compensation committee / Board of Directors from time to time. During the exercise period, the option holders shall exercise the options and pay the exercise price of the options for conversion into Equity Shares of the Company.

**f. Appraisal Process for Determining the eligibility of Employees to the ESOP Scheme 2009**

Board / HR and Compensation committee shall decide on the selection of employees and grant of options, the basis of which shall include but shall not be limited to:

- Performance of the employee
- Position and responsibility of the employee
- Nature of employee's services to the Company
- The period for which the employee has rendered his services to the Company
- Potential of the employee to contribute to the Company's performance
- The extent of contribution made by the employee towards business results, processes, customers satisfaction etc,
- Any other criteria as may be decided by the HR and Compensation Committee from time to time

The Board / HR and Compensation Committee may also decide to offer a fixed number of options to very new eligible employee based on the grade and/or criticality of the position.

**g. Maximum Number of Options to be issued per Employee and in Aggregate**

The Maximum number of options to be granted per employee shall not exceed 1% of the issued capital of the Company, during any one year. The aggregate of all such grants under the scheme shall not exceed 2 Lacs Equity shares of the Company.

**h. Accounting Policies**

The Company shall conform to the Accounting Policies specified in Clause 13.1 of the Guidelines. The Company adopts the intrinsic value method for valuing the stock options. The Company declares that it shall disclose in the Directors Report the impact on the Profit and EPS, the difference between the employee compensation cost computed using the Intrinsic value of stock options and the employee compensation cost that shall have been recognised, if the Company has used the fair value of stock options.

The Board / HR & Compensation Committee shall be authorised to formulate the detailed terms and conditions of the ESOPs and to administer/monitor the ESOPs and to amend the ESOPs, in line with recommendations/approvals/regulatory amendments of SEBI or any authority or otherwise and also to provide financial assistance to the trust/ employee on such terms and conditions as it may deem fit. The decision of Board / HR Compensation Committee on all matters relating to ESOPs shall be final and binding.

The options which shall lapse or forfeit or expire will be available for grant to the eligible employees of the Company. The quantum of options may vary subject to the corporate actions.

The Shares allotted pursuant to the above ESOPs shall be listed on the Stock Exchange where the Companies Equity Shares are listed and necessary applications will be made to those Stock Exchanges in that behalf.

The Company will make necessary application to the concerned authorities, as may be required seeking approval for issuing Shares to the employees under the ESOPs.

Pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956, and as per the ESOPs Guidelines, consent of Members, by way of a special resolution is required for issue of Shares to employees including the Directors, who may or may not be existing Shareholders. Hence the Board of Directors recommends this resolution.

None of the Directors is concerned or interested in the resolution except to the extent of Securities that may be offered to them under the ESOPs.

**By Order of the Board  
For Archidply Industries Limited**

**Date : 29.01.2009  
Place : Bangalore**

**Sd/-  
Rajneesh Sharma  
Company Secretary**