

SCHEME OF ARRANGEMENT
BETWEEN
ARCHIDPLY INDUSTRIES LIMITED
... DEMERGED COMPANY
AND
ARCHIDPLY DÉCOR LIMITED
... RESULTING COMPANY
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

UNDER SECTIONS 230 TO 232 READ ALONGWITH SECTION 52, AND 66 OF THE COMPANIES
ACT, 2013

PREAMBLE

This Scheme of Arrangement is presented pursuant to the provisions of Sections 230 to 232 read alongwith Section 52 and Section 66 of the Companies Act, 2013 to re-organise and streamline the business of Archidply Industries Limited (hereinafter referred to as the "Demerged Company" or "AIL") by way of a Demerger of the Demerged Undertaking i.e. Chintamani Undertaking , (as hereinafter defined) to Archidply Decor Limited (hereinafter referred to as the "Resulting Company" or "ADL")

PART I: - GENERAL

A. DESCRIPTION OF COMPANIES.

(a) Archidply Industries Limited (AIL)

- i. Archidply Industries Limited a Limited company incorporated under the Companies Act, 1956 (as defined hereinafter), having its registered office at Plot No.7, Sector - 9, Integrated Industrial Estate, SIDCUL, Pant Nagar, Rudrapur, Udham Singh Nagar, UR - 263153
- ii. The Demerged Company is a well established company, engaged in the business of wood panel products and decorative surfacing products and has two manufacturing undertakings :-
 - a) Rudrapur (Uttarakhand) Undertaking and
 - b) Chintamani (Karnataka) Undertaking
- iii. The following products are manufactured at Rudrapur and Chintamani



Rudrapur :-

- 1 Plywoods - Marine Plywood, Fire Retardant Plywood, Shuttering Plywood, Densified Film Faced Plywood, BWR & MR Plywood, Lamyply and Lamyboard.
- 2 Block Board and Flush Doors - BWR & MR grade
- 3 Decorative Laminates – range from 0.8mm to 1.5mm and post form laminates

Chintamani:-

1. Particle Boards - plain, veneered and pre laminated particle board both in interior and exterior grade
2. Decorative Veneers - Teak, natural exotic veneers, reconstituted veneers and dyed veneers.

In addition contract manufacturing of Gurjan based face & core plywood and Face Veneers from Myanmar is also done in Chintamani.

- iv. The Demerged Company is a listed Company and its shares are listed on BSE limited and National Stock Exchange of India Limited (NSE)

(b) Archidply Decor Limited (ADL)

- i. Archidply Decor Limited is a public Limited company incorporated under the Companies Act, 2013, (as defined hereinafter) having its registered office at Plot No.7, Sector - 9, Integrated Industrial Estate, SIDCUL, Pant Nagar, Rudrapur, Udham Singh Nagar, UR - 263153
- ii. The Resulting Company is a newly incorporated company with the main objects of manufacturing and trading of Wood panel products and other related activities.
- iii. The Resulting Company is an unlisted company.

B. RATIONAL FOR THE SCHEME OF ARRANGEMENT.

- In order to achieve geographical operational efficiencies and unlock shareholders value, the management of AIL has proposed to separate each business undertaking based on the commercial objectives and relevant geographies of the undertaking into separate company. Therefore with a view to effect such reorganization the present scheme is proposed for Transfer of Chintamani Undertaking into Archidply Décor Limited (ADL)



- In order to concentrate its growth efforts in a focused manner, introduce different strategies for growth and different focus for alliance / ventures and to enable direct Equity participation from investors and the Demerged Company has determined to create a focused entity and accordingly proposes the transfer and vesting of the Demerged Undertaking (as defined hereinafter) in the Resulting Company by way of a Demerger (as hereinafter defined) undertaken through this Scheme (as hereinafter defined) under the provisions of Sections 230 to 232 read alongwith Section 52 and Section 66 and other relevant provisions of the Act.
- The above transfer will be carried out by demerging Chintamani unit from AIL to ADL as per the provisions of Section 2(19AA) of the Income Tax Act, 1961 (IT Act).
- Upon the effectiveness of this scheme, ADL will be listed on the stock exchanges where shares of AIL are listed i.e. BSE and NSE, subject to the approval of respective stock exchanges

The key objectives for this demerger which is primarily focused towards maximizing shareholder value are:-

- The nature of risk, competition and capital intensity involved in demerged undertaking and remaining undertaking of AIL is distinct from each other. Consequently, each undertaking of AIL is capable of addressing independent business opportunities, deploying different technologies and attracting different sets of investors, strategic partners, lenders and other stakeholders. Hence as part of an overall business reorganization plan, it is considered desirable and expedient to reorganize and reconstruct AIL by demerging the Demerged Undertaking to ADL in the manner and on the terms and conditions contained in this Scheme.
- The Demerger is likely to enable the business and activities comprised in the demerged undertaking and remaining business and activities of AIL to be pursued and carried on with greater focus and attention through two separate companies each having its own administrative set up. Independent management of each of the undertakings will ensure required depth and focus on each of the businesses and adoption of strategies necessary for the growth of respective businesses. The structure provides independence to the management in decisions regarding the use of their respective cash flows for dividends, capital expenditure or other reinvestment in their business.



- It will facilitate each business to independently pursue their growth plans through organic / inorganic means.
- It will enhance management focus and operational flexibility and it will create a platform to enhance financial flexibility to pursue next stage of growth.
- The restructuring proposal is thus aimed at protecting and maximizing value for the shareholders of the AIL. This scheme is in the interest of the shareholders; creditors and all other stakeholders of AIL and shall not in any manner be prejudicial to the interests of shareholders and creditors. The restructuring under this Scheme would enable focused business approach for the maximization of benefits to all stakeholders and capitalize on the opportunity for growth.

Accordingly, this Scheme provides for the transfer by way of a Demerger of the Demerged Undertaking of the Demerged Company to the Resulting Company and the consequent issue of equity shares by the Resulting Company to the shareholders of the Demerged Company pursuant to Sections 230 to 232 read alongwith Section 52 and Section 66 and other relevant provisions of the Act and various other matters consequential to or otherwise integrally connected with the above in the manner provided for in this Scheme.

C. The Scheme is divided into the following parts:

- Part I** - which deals with the introduction and definitions;
- Part II** - which deals with the Demerger; and
- Part III**, which deals with the general terms and conditions.

D. The Demerger under this Scheme will be effected under the provisions of Sections 230 to 232 read alongwith Section 52 and Section 66 and other relevant provisions of the Act. The Demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company shall comply with the provisions of Section 2(19AA) of the Income Tax Act, 1961, such that:

- all the properties of the Demerged Undertaking being transferred by the Demerged Company, immediately before the Demerger shall become the properties of the Resulting Company by virtue of such Demerger;



- b. all the liabilities relatable to the Demerged Undertaking, being transferred by the Demerged Company, immediately before the Demerger shall become the liabilities of the Resulting Company by virtue of such Demerger;
- c. the properties and the liabilities relatable to the Demerged Undertaking being transferred by the Demerged Company shall be transferred to the Resulting Company at the values appearing in the books of account of the Demerged Company immediately before the Demerger;
- d. the Resulting Company shall issue, in consideration of the Demerger, shares to the shareholders of the Demerged Company;
- e. all shareholders of the Demerged Company shall become the shareholders of the Resulting Company by virtue of the Demerger; and
- f. the transfer of the Demerged Undertaking shall be on a going concern basis.

Notes:-

- i. This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under the tax laws, including Section 2 (19AA) and other relevant sections of the Income tax Act, 1961. If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date, whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. Such modification will however, not affect other parts of the Scheme.
- ii. Upon the Scheme becoming effective, the Demerged Company and Resulting Company are also expressly permitted to revise income tax returns, service tax returns, VAT / sales tax returns, GST returns and other tax returns and to claim refunds and / or credits etc. pertaining to the Remaining Business and Demerged Undertaking, respectively, pursuant to the provisions of the Scheme.

E. DEFINITIONS AND INTERPRETATION

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

- a. **"Act"** means the Companies Act, 2013 and shall include any other statutory amendment or re-enactment or restatement and the rules and / or regulations and /or other guidelines or notifications under Applicable Laws, made thereunder from time to time
- b. **"Appointed Date"** means the opening of business on April 1, 2018 or such other date as the NCLT may direct or allow
- c. **"Applicable Law" or "Law"** means any applicable national, foreign, provincial, local or other law including all applicable provisions of all (a) constitutions, decrees, treaties, statutes, laws (including the common law), codes, notifications, rules, regulations, policies, guidelines, circulars, directions, directives, ordinances or orders of any Appropriate Authority, statutory authority, court, tribunal having jurisdiction over the parties; (b) approvals; and (c) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Appropriate Authority having jurisdiction over the Parties as may be in force from time to time;
- d. **"Appropriate Authority"** means:
 - i. 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;
 - ii. Any public international organization or supranational body and its institutions, departments, agencies and instrumentalities;
 - iii. Any governmental, quasi-governmental or private body or agency lawfully exercising, or entitled to exercise, any administrative, exclusive, judicial, legislative, regulatory, licensing, competition, tax, importing, exporting or other governmental or quasi-governmental authority; and
 - iv. Any Stock Exchange;
- e. **"Board of Directors" or "Board"** in relation to each of the Demerged Company and the Resulting Company, as the case may be, means the board of directors of such company, and



shall include a committee duly constituted and authorized for the purposes of matters pertaining to the Demerger, the Scheme and/or any other matter relating thereto;

- f. **"Demerged Company"** means Archidply Industries Limited a company incorporated under the Companies Act 1956 and having its registered office at Plot No.7, Sector -9, Integrated Industrial Estate, SIDCUL, Pant Nagar, Rudrapur, Udham Singh Nagar, UR - 263153.
- g. **Demerged Undertaking** means Chintamani Undertaking of the Demerged Company, which shall include business, activities and operations pertaining to the Chintamani Unit (hereinafter referred to as "Demerged Undertaking") of the Demerged Company on a going concern basis, and shall mean and include, without limitation:

All assets and properties of the Chintamani Undertaking including all assets whether movable or immovable, related liabilities pertaining thereto including contingent liabilities, liabilities not accrued, not recognized or not provided for in the books of accounts of the Company.

Without prejudice to the generality of the above, the Demerged Undertaking shall include in particular:

- i. All specified assets whether movable or immovable, tangible or intangible, including all rights, title, interest, covenant, undertakings, including continuing rights, title and interest in connection with the properties whether, corporeal or incorporeal, leasehold or otherwise, licenses together with all present liability provided and accounted in the books of Demerged Company and future liability, including contingent liabilities, liabilities not accrued, not recognized or not provided for in the books of accounts and debts pertaining thereto, of the Demerged Company all of which relate to the Demerged Undertaking as described in this Scheme ;
- ii. All contracts, agreements, deeds, arrangements, letters of intent, in connection with or in relation to the Chintamani Undertaking and properties and as set of or required for the above business situated at the above locations and securities deposits, the right to use such assets and properties, whether movable or immovable, tangible or intangible, offices, current assets including Loans and advances, furniture, fixtures, office equipment, appliances, accessories;
- iii. All permits, quotas, rights, entitlements and benefits, licenses, bids, tenders, letters of intent, expressions of interest, municipal permissions, approvals, consents, tenancies in relation to office, benefit of any deposits privileges, all other rights, receivables, licenses,



powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephones, telexes, facsimile connections and installations, utilities, electricity and other services, provisions and benefits of all agreements, contracts and arrangements, and all other interests in connection with or relating to the Demerged Undertaking;

iv. All earnest money and / or security deposits paid by the Demerged Company in connection with or relating to the Demerged Undertaking;

v. The Brand "Archidply" relating to the following products:-

- Plywood & Blockboards- Gurjan/keruing/Hollang face & core veneer base plywood and Gurjan mix with other hardwood
- Prelam Particle Board & Prelam MDF- exclusive rights in all categories
- Bon Vivant Brand - exclusive rights for all products
- Flush Doors -Decorative Veneer Flush Door

Decorative Veneers - Teak, natural exotic veneers, reconstituted veneers and dyed veneers- exclusive rights in all categories.

- vi. All records, files, papers, engineering and process information, computer programme, software licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers / clients and suppliers, customer / client credit information, customer / client pricing information, and other records whether in physical or electronic form in connection with or relating to the Demerged Undertaking;
- vii. All debts, borrowings and liabilities (including contingent liabilities, liabilities not accrued, not recognized or provided for in the books of accounts of the Demerged Company), present liability as accounted in the books of the Demerged Company whether secured or unsecured, pertaining to the Demerged Undertaking.
- viii. All employees on the payroll of the Demerged Company employed in the Demerged Undertaking, as identified by the Board of Directors of the Demerged Company, as on the Effective Date;

(Note 1: - For the purposes of this Scheme, a statement of account of the Chintamani business of the Demerged Undertaking are drawn up as on the Appointed Date which gives details of



assets and liabilities of the Chintamani Undertaking *and is duly certified by the Management of AIL.*)

(Note 2:- Any question that may arise as to whether a particular asset or liability pertains or does not pertain to the Undertaking shall be decided by mutual agreement between the Board of Directors of AIL and ADL.)

(Note 3: - It is intended that the definition of Chintamani Undertaking under this clause would enable the transfer of all property & all assets including fixed assets, current assets and loans and advances etc. and liabilities of the Chintamani Undertaking)

- h. "Demerger" means the transfer by way of demerger of the Demerged Undertaking to the Resulting Company and the consequent issue of equity shares by the Resulting Company to the Shareholders of the Demerged Company as set out in this Scheme;
- i. "Effective Date" means the last of the dates on which all the conditions and matters referred to in Clause 13 of this Scheme occur or have been fulfilled or waived in accordance with this Scheme. References in this Scheme to date of 'coming into effect of the Scheme' or 'effectiveness of the Scheme' shall mean the Effective Date;
- j. "Eligible Employees" shall have the meaning ascribed to it in Clause 4;
- k. "Employees" mean all the permanent employees of the Demerged Company employed/engaged in the Demerged Undertaking as on the Effective Date;
- l. "Encumbrance" means any options, pledge, mortgages, liens, securities, interests, claims, charges, pre-emptive rights, easement, limitation, attachment, restraint or any other encumbrance of any kind or nature whatsoever; and the term "Encumbered" shall be construed accordingly;
- m. "Income Tax Act" means the Income – Tax Act, 1961
- n. "National Company Law Tribunal" means the Hon'ble National Company Law Tribunal, Allahabad Bench that has jurisdiction over AIL and ADL or such other forum or authority that may be vested with requisite powers under the Companies Act, 2013 in relation provisions of 230 to 232 read alongwith Section 52 and Section 66 of the Companies Act, 2013
- o. "Parties" shall mean Archidply Industries Limited (AIL) and Archidply Décor Limited (ADL)



- p. **"Permits"** means all consents, licenses, permits, certificates, permissions, authorization, rights, clarifications, approvals, clearances, confirmations, declarations, waivers, exemptions, registrations, filings, whether governmental, statutory or regulatory as required under Applicable Law;
- q. **"Remaining Business"** means all the undertaking, including the business relating to Rudrapur Unit and operations of the Demerged Company other than those comprised in the Demerged Undertaking.
- r. **"Resulting Company"** means Archidply Decor Limited a company incorporated under the Companies Act, 2013 and having its registered office at Plot No.7, Sector -9, Integrated Industrial Estate, SIDCUL, Pant Nagar, Rudrapur, Udham Singh Nagar, UR - 263153.
- s. **"Record Date"** means the date to be fixed by the Board of Directors of AIL in consultation with the Board of Directors of ADL for the purpose of reckoning names of the Equity shareholders of the Demerged Company (AIL), who shall be entitled to receive shares of the Resulting Company (ADL) upon coming into effect of this Scheme as specified in clause 8 of this Scheme.
- t. **"ROC"** means the Registrar of Companies, Uttarakhand;
- u. **"Scheme"** means this scheme of arrangement, including the schedules, as amended or modified in accordance with the provisions hereof;
- i. All terms and words used but not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act and any other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof for the time being in force.
- ii. References to clauses, recitals and schedules, unless otherwise provided, are to clauses, recitals and schedules of and to this Scheme.
- iii. The headings herein shall not affect the construction of this Scheme.



- iv. The singular shall include the plural and vice versa; and references to one gender include all genders.
- v. Any phrase introduced by the terms including in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- vi. References to person include any individual, firm, body corporate (whether incorporated), Government, state or agency of a state or any joint venture, association, partnership, works council or employee representatives body (whether or not having separate legal personality).
- v. "SEBI" means the Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992;
- w. "SEBI Circular" means the circular issued by the SEBI, being Circular CFD/DIL3/CIR/2017/21 dated 10 March, 2017, and any amendments thereof, modifications issued pursuant to regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including Circular CFD/DIL3/CIR/2017/26 dated 23 March, 2017 and Circular CFD/DIL3/CIR/2018/2 dated 3 January, 2018;
- x. "SEBI LODR Regulations" mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- y. "Stock Exchanges" means BSE Limited ("BSE"), National Stock Exchange of India Limited ("NSE") and any other recognized stock exchange, as the case may be;
- z. "Taxation" or "Tax" or "Taxes" means all forms of taxes and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies and whether levied by reference to income, profits, book profits, gains, net wealth, asset values, turnover, added value 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, advance tax, minimum alternate tax or otherwise or attributable directly or primarily to the Resulting Company or the Demerged Company or any other person and



all penalties, charges, costs and interest relating thereto; and

- aa. "Tax Laws" means all Applicable Laws, acts, rules and regulations dealing with Taxes including but not limited to the 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

F. SHARE CAPITAL

a. DEMERGED COMPANY: ARCHIDPLY INDUSTRIES LIMITED

The share capital structure of the Demerged Company as per the audited balance sheet as at 31st March, 2018 is as under:

Particulars	Amount (Rs.)
<u>AUTHORISED SHARE CAPITAL:</u>	
2,50,00,000 Equity Shares of Rs.10/- each	25,00,00,000
TOTAL	25,00,00,000
<u>ISSUED, SUBSCRIBED AND PAID UP CAPITAL:</u>	
2,20,65,000 Equity Shares of Rs.10/- each	22,06,50,000
TOTAL	22,06,50,000

b. RESULTING COMPANY : ARCHIDPLY DÉCOR LIMITED

The share capital structure of the Resulting Company as per the audited balance sheet as at 31st March, 2018 is as under:

Particulars	Amount (Rs.)
<u>AUTHORISED SHARE CAPITAL:</u>	
1,00,000 Equity Shares of Rs.10/- each	10,00,000
TOTAL	10,00,000
<u>ISSUED, SUBSCRIBED AND PAID UP CAPITAL:</u>	
50,000 Equity Shares of Rs.10/- each	5,00,000
TOTAL	5,00,000

PART II - DEMERGER

SECTION 1- TRANSFER AND VESTING OF THE DEMERGED UNDERTAKING

1. TRANSFER OF ASSETS



- 1.1 Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Demerged Undertaking (including all the estate, assets, rights including claims, title, interest and authorities including accretions and appurtenances of the Demerged Undertaking) shall, subject to the provisions of this Clause in relation to the mode of transfer and vesting and pursuant to the provisions of Section 230 to 232 of the Act, without any further act or deed, be demerged from the Demerged Company and be transferred to and vested in and shall be deemed to be demerged from the Demerged Company and transferred to and vested in the Resulting Company as a going concern so as to become as and from the Appointed Date, the estate, assets, rights, claims, title, interest and authorities of the Resulting Company, subject to the provisions of this Scheme in relation to Encumbrances in favour of banks and/or financial institutions.
- 1.2 In respect of such of the assets of the Demerged Undertaking as are movable in nature or are otherwise capable of transfer by delivery or possession or by endorsement and delivery, the same shall stand so transferred by the Demerged Company upon the coming into effect of the Scheme, and shall become the property of the Resulting Company as an integral part of the Demerged Undertaking with effect from the Appointed Date pursuant to the provisions of Section 230 to 232 of the Act without requiring any deed or instrument of conveyance for transfer of the same, subject to the provisions of this Scheme in relation to encumbrances in favour of banks and/or financial institutions.
- 1.3 In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in sub-Clause 1.2 above, the same shall, as more particularly provided in sub-Clause 1.1 above, without any further act, instrument or deed, be demerged from the Demerged Company and transferred to and vested in and/or be deemed to be demerged from the Demerged Company and transferred to and vested in the Resulting Company upon the coming into effect of the Scheme and with effect from the Appointed Date pursuant to the provisions of Sections 230 to 232 of the Act.
- 1.4 All assets, rights, title, licenses, interest and investments of the Demerged Company in relation to the Demerged Undertaking shall also, without any further act, instrument or deed, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Resulting Company upon the coming into effect of the Scheme and with effect from the Appointed Date pursuant to the provisions of Sections 230 to 232 of the Act.
- 1.5 Without prejudice to the generality of the foregoing, upon the coming into effect of the Scheme, all the rights, title, interest and claims of the Demerged Company in any leasehold properties (including in each case, any applications made therefore) of the Demerged



Company in relation to the Demerged Undertaking, shall, pursuant to Section 230 to 232 of the Act, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company with effect from the Appointed Date.

2. CONTRACTS, DEEDS, ETC.

2.1 Upon the coming into effect of the Scheme, and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Demerged Undertaking, to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect on or against or in favour, as the case may be, of the Resulting Company and may be enforced as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party or beneficiary or obligee thereto or there under.

2.2 Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Demerged Undertaking occurs by virtue of this Scheme itself, the Resulting Company may, at any time after the coming into effect of the Scheme, in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and execute such deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary in order to give formal effect to the provisions of this Scheme. The Demerged Company will, if necessary, also be a party to the above. The Resulting Company shall, under the provisions of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances referred to above on the part of the Demerged Company to be carried out or performed.

2.3 Without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of the Scheme, all consents, permissions, licences, approvals, certificates, insurance covers, clearances, authorities given by, issued to or executed in favour of the Demerged Company in relation to the Demerged Undertaking shall stand transferred to the Resulting Company as if the same were originally given by, issued to or executed in favour of the Resulting Company, and the Resulting Company shall be bound by the terms thereof, the obligations and duties there under, and the rights and benefits under the same shall be available to the Resulting Company.

2.4 Without prejudice to the aforesaid, it is clarified that if any assets (including estate, claims,



rights, title, interest in or authorities relating to any asset) or any contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Demerged Undertaking which the Demerged Company owns or to which the Demerged Company is a party to, cannot be transferred to the Resulting Company for any reason whatsoever, the Demerged Company shall hold such assets, contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company, insofar as it is permissible so to do, till such time as the transfer is effected.

2.5 The Brand "Archidply" belongs to Archidply Industries Limited and the said brand shall be used by the Demerged Company (AIL) and the Resulting company (ADL) for their respective products as under.

The Brand "Archidply" "Archidlam", "Archidstar" and "Archidslim relating to the following products of Archidply Industries Limited:-

- Decorative Laminates - exclusive rights in all categories
- Plywood and Blockboards - Both Hardwood & Softwood species other than Gurjan/Keruing/Hollong Core & face Veneer based Plywood & blockboards exclusive rights
- Flush Doors - Plain / Laminated Flush Door
- Silvi Brand- exclusive rights for all product categories

The Brand "Archidply" relating to the following products of Archidply Décor Limited:-

- Plywood & Blockboards - - Gurjan/keruing/Hollong face & core veneer with Gurjan/ keruing/Hollong core veneer mix with other core
- Prelam Particle Board & Prelam MDF- exclusive rights in all categories
- Bon Vivant Brand - exclusive rights for all products
- Flush Doors -Decorative Veneer Flush Door.

Decorative Veneers - Teak, natural exotic veneers, reconstituted veneers and dyed veneers- exclusive rights in all categories.



2.6 Archidply Industries Limited (AIL) shall not directly or indirectly, compete with Archidply Decor Limited (ADR'S) business of plywood- Gurjan/ keruing/Hollong Face & Core Veneer base plywood & Blockboards, Prelam Particle Board & Prelam MDF- exclusive rights in all categories, BON Vivant Brand – exclusive rights for all products and Flush doors – Decorative Veneer Flush door for a period of five (5) years from the appointed date or such reduced period as may be mutually agreed between the parties (AIL and ADL)

2.7 Similarly Archidply Decor Limited (ADL shall not, directly or indirectly, compete with Archidply Industries Limited (AIL'S) business of Decorative Laminates – exclusive rights in all categories, Plywood and Blockboards – Hardwood species other than gurjan/keruing/Hollang face & core Plywood & Blockboards exclusive rights, Flush Doors - Plain / Laminated Flush Door, and Silvi Brand- exclusive rights for all product categories for a period of five (5) years from the appointed date or such reduced period as may be mutually agreed between the parties (AIL and ADL)

2.8 Any new product launch by the Demerged Company (AIL) and / or the Resulting Company (ADL) shall only be done after receiving No Objection Certificate (NOC) from the other Company for the use of "Archidply " Brand or Archid Brand in any form including suffix or prefix.

3. TRANSFER OF LIABILITIES

3.1 Upon the coming into effect of the Scheme, all loans raised and used, debts, liabilities, duties and obligations (including the liabilities which arise out of the activities or operations of the Demerged Undertaking) of the Demerged Company as on the Appointed Date and relatable to the Demerged Undertaking shall, without any further act or deed, be and stand transferred to and be deemed to be transferred to the Resulting Company to the extent that they are outstanding as on the Effective Date and shall become the loans, debts, liabilities, duties and obligations of the Resulting Company. Where any of the loans raised and used, debts, liabilities, duties and obligations of the Demerged Company as on the Appointed Date deemed to be transferred to the Resulting Company have been discharged by the Demerged Company on or after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Resulting Company.

3.2 Upon the coming into effect of the Scheme, all loans raised and used and all debts, liabilities, duties and obligations incurred by the Demerged Company for the operations of the Demerged Undertaking with effect from the Appointed Date and prior to the Effective Date,



subject to the terms of this Scheme, shall be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent they are outstanding on the Effective Date, shall also without any further act or deed be and stand transferred to and be deemed to be transferred to the Resulting Company and shall become the loans, debts, liabilities, duties and obligations of the Resulting Company.

3.3 In so far as the existing Encumbrance in respect of the loans, borrowings, debts, liabilities, is concerned, such Encumbrance shall, without any further act, instrument or deed be modified and shall be extended to and shall operate only over the assets comprised in the Demerged Undertaking which have been Encumbered in respect of the transferred liabilities as transferred to the Resulting Company pursuant to this Scheme. Provided that if any of the assets comprised in the Demerged Undertaking which are being transferred to the Resulting Company pursuant to this Scheme have not been Encumbered in respect of the Transferred Liabilities, such assets shall remain unencumbered and the existing Encumbrance referred to above shall not be extended to and shall not operate over such assets. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. For the avoidance of doubt, it is hereby clarified that in so far as the assets comprising the Remaining Business are concerned, the Encumbrance over such assets relating to the Transferred Liabilities shall, as and from the Effective Date without any further act, instrument or deed be released and discharged from the obligations and Encumbrance relating to the same. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. Further, in so far as the assets comprised in the Demerged Undertaking are concerned, the Encumbrance over such assets relating to any loans, borrowings or other debts which are not transferred pursuant to this Scheme (and which shall continue with the Demerged Company), shall without any further act or deed be released from such Encumbrance and shall no longer be available as security in relation to such liabilities.

3.4 Without prejudice to the provisions of the foregoing Clauses and upon the effectiveness of the Scheme, the Demerged Company and the Resulting Company shall execute any instrument/s and/or document/s and/or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies to give formal effect to the above provisions, if required.

3.5 Upon the coming into effect of this Scheme, the Resulting Company alone shall be liable to perform all obligations in respect of the Transferred Liabilities, which have been transferred to it in terms of this Scheme, and the Demerged Company shall not have any

obligations in respect of such Transferred Liabilities.

3.6 It is expressly provided that, save as mentioned in this Clause, no other term or condition of the liabilities transferred to the Resulting Company as part of the Scheme is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication.

3.7 Subject to the necessary consents being obtained, if required, in accordance with the terms of this Scheme, the provisions of this Clause shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document, all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.

4. EMPLOYEES

4.1 Upon the coming into effect of this Scheme, all Employees of the Demerged Undertaking shall become the employees of the Resulting Company with effect from the Appointed Date, and, subject to the provisions hereof, on terms and conditions not less favourable than those on which they are engaged by the Demerged Company in relation to the Demerged Undertaking and without any interruption of or break in service as a result of the transfer of the Demerged Undertaking. For the purpose of payment of any compensation, gratuity and other terminal benefits, the immediate past services of such Employees with the Demerged Company shall also be taken into account, and paid by the Resulting Company as and when the same become payable.

4.2 In so far as the provident fund and gratuity fund and any other funds or benefits if any created by the Demerged Company inter alia for the Employees are concerned (collectively referred to as the "Funds"), the funds and such investments made by the Funds which are referable to the Employees in terms of sub-Clause 4.1 above shall be transferred to the Resulting Company and shall be held for their benefit pursuant to this Scheme in the manner provided hereinafter. In the event that the Resulting Company does not have its own Funds in respect of any of the above, the Resulting Company may, subject to necessary approvals and permissions, continue to contribute to the relevant Funds of the Demerged Company, until such time that the Resulting Company creates its own Funds, at which time the funds and the investments and contributions pertaining to the Employees shall be transferred to the Funds created by the Resulting Company.



4.3 In relation to any other fund created or existing for the benefit of the Employees being transferred to the Resulting Company, the Resulting Company shall stand substituted for the Demerged Company, for all purposes whatsoever, including relating to the obligation to make contributions to the said funds in accordance with the provisions of such scheme, funds, bye laws, etc. in respect of such Employees.

4.4 In so far as the existing benefits or funds created by the Demerged Company for the employees of the Remaining Business are concerned, the same shall continue and the Demerged Company shall continue to contribute to such funds and trusts in accordance with the provisions thereof, and such funds and trusts, if any, shall be held inter alia for the benefit of the employees of the Remaining Business.

5. LEGAL, TAXATION AND OTHER PROCEEDINGS

5.1 Upon the coming into effect of this Scheme, all legal, taxation or other proceedings, (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted any time thereafter and in each case relating to the Demerged Undertaking shall be continued and enforced by or against the Resulting Company with effect from the Effective Date. Except as otherwise provided herein, the Demerged Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceedings against the Resulting Company. The Resulting Company shall be replaced/ added as party to such proceedings and shall prosecute or defend such proceedings at its own cost, in co-operation with the Demerged Company.

5.2 If any proceedings are taken against the Demerged Company in respect of the matters referred to in sub-Clause 5.1 above, it shall defend the same in accordance with any reasonable and prudent advice provided by the Resulting Company at the cost of the Resulting Company, and the latter shall reimburse and indemnify the Demerged Company against all liabilities and obligations incurred by the Demerged Company in respect thereof.

5.3 The Resulting Company undertakes to have all legal, taxation or other proceedings initiated by or against the Demerged Company referred to in sub-Clause 5.1 above transferred to its name as soon as is reasonably possible after the Effective Date and to have the same continued, prosecuted and enforced by or against the Resulting Company



to the exclusion of the Demerged Company. Both companies shall make relevant applications in that behalf.

5.4 This Scheme complies with definition of "demerger" as per Section 2(19AA), 2(41A), 47, 72A and other provisions of the Income Tax Act. If any terms are found to be or interpreted to be inconsistent with provisions of Income Tax Act, the parties shall negotiate in good faith to be in compliance with such provisions.

SECTION 2 - CONDUCT OF BUSINESS

6. With effect from the Appointed Date and up to and including the Effective Date:

6.1 the Demerged Company shall continue to carry on and be deemed to have been carrying on all business and activities relating to the Demerged Undertaking and shall hold and stand possessed of and shall be deemed to hold and stand possessed of all the estates, assets, rights, title, interest, authorities, contracts, investments and strategic decisions of the Demerged Undertaking for and on account of, and in trust for, the Resulting Company;

6.2 all profits and income accruing or arising to the Demerged Company from the Demerged Undertaking, and losses and expenditure arising or incurred by it (including taxes, if any, accruing or paid in relation to any profits or income) relating to the Demerged Undertaking for the period commencing from the Appointed Date shall, for all purposes, be treated as and be deemed to be the profits, income, losses or expenditure, as the case may be, of the Resulting Company; and

6.3 any of the rights, powers, authorities, privileges, attached, related or pertaining to the Demerged Undertaking exercised by the Demerged Company shall be deemed to have been exercised by the Demerged Company for and on behalf of, and in trust for and as an agent of the Resulting Company; and similarly, any of the obligations, duties and commitments attached, related or pertaining to the Demerged Undertaking that have been undertaken or discharged by the Demerged Company shall be deemed to have been undertaken for and on behalf of and as an agent for the Resulting Company.

6.4 all assets acquired and all liabilities incurred by the Demerged Company after the Appointed Date but prior to the Effective Date for operation of and in relation to the Demerged Undertaking shall also without any further act, instrument or deed stand



transferred to and vested in or to be deemed to have been transferred to or vested in the Resulting Company upon the coming into effect of the Scheme, subject to the provisions of this Scheme in relation to Encumbrances in favour of lenders, banks and/or financial institutions .

SECTION 3 - REMAINING BUSINESS

Save and except Demerged Undertaking and as expressly provided in this Scheme, nothing contained in this Scheme shall affect Retained Undertaking (remaining business) of AIL which shall continue to belong to and be vested in and be managed by AIL. It is expressly clarified and provided that the Retained Undertaking shall continue to be so vested in AIL and all liabilities, present or contingent, under the Income Tax Act, 1961 of AIL as a whole, for the period prior to the Appointed Date shall be borne by AIL with AIL also being entitled to any and all tax refunds and other credits under the said acts for such prior period.

- 7.1 The Remaining Business and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Demerged Company.
- 7.2 All legal, taxation or other proceedings (including before any statutory or quasi-judicial authority or tribunal) by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted at any time thereafter, and in each case relating to the Remaining Business (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining Business) shall be continued and enforced by or against the Demerged Company after the Effective Date. The Resulting Company shall in no event be responsible or liable in relation to any such legal, taxation or other proceedings against the Demerged Company, which relates to the Remaining Business.
- 7.3 If proceedings are taken against the Resulting Company in respect of the matters referred to in sub-Clause 7.1 above, it shall defend the same in accordance with the advice of the Demerged Company and at the cost of the Demerged Company, and the latter shall reimburse and indemnify the Resulting Company against all liabilities and obligations incurred by the Resulting Company in respect thereof.
- 7.4 With effect from the Appointed Date and up to and including the Effective Date:
 - 7.4.1 the Demerged Company shall carry on and be deemed to have been carrying on all business and activities relating to the Remaining Business for and on its own behalf;



- 7.4.2 all profits accruing to the Demerged Company thereon or losses arising or incurred by it (including the effect of taxes, if any, thereon) relating to the Remaining Business shall, for all purposes, be treated as the profits or losses, as the case may be, of the Demerged Company;
- 7.4.3 all assets and properties acquired by the Demerged Company in relation to the Remaining Business on and after the Appointed Date shall belong to and continue to remain vested in the Demerged Company;
- 7.4.4 The Brand "Archidply" relating to the following products:-
- Decorative Laminates - exclusive rights in all categories
 - Plywood and Blockboards – Hardwood species other than gurjan/keruing/Hollang Plywood & Blockboards exclusive rights
 - Flush Doors - Plain / Laminated Flush Door
 - Silvi Brand- exclusive rights for all product categories

SECTION 4: CONSIDERATION

8. The provisions of this Section 4 of this Scheme shall operate notwithstanding anything to the contrary in this Scheme or in any other instrument, deed or writing.
- 8.1 Upon this scheme coming into effect, in consideration of the transfer of the Demerged Undertaking by the Demerged Company to the Resulting Company, in terms of this scheme, the Resulting Company shall, without any further act or deed, issue and allot to every member of the Demerged Company holding fully paid up equity shares in the Demerged Company and whose names appear in the Register of Members of the Demerged Company on the record date in respect of every four (4) Equity Shares of the face value of Rs. 10 /- each fully paid up held by him / her / it in the Demerged Company, one (1) new Equity share of the Resulting Company of the face value of Rs.10/- each fully paid up;
- 8.2 The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank *pari passu* in all respects with the existing equity shares of the Resulting Company.



8.3 The issue and allotment of new equity shares by the Resulting Company to the Shareholders of the Demerged Company pursuant to Clause 8.1 above is an integral part of this Scheme.

8.4 Fraction share Treatment

- In case any member's holding in the Demerged Company is such that the member becomes entitled to a fraction of an equity share of the Resulting Company, then the Resulting Company shall not issue fractional shares to such member but shall instead consolidate all such fractional entitlements to which the members of the Demerged Company may be entitled on the issue and allotment of equity shares of the Resulting Company and allot consolidated equity shares to a trustee nominated by the Resulting Company in that behalf.
- The trustee nominated by the Resulting Company under Clause 8.4 above shall, at its discretion, sell such shares in the open market and distribute the net sale proceeds (after deduction of the expenses incurred) to the shareholders of the Demerged company (AIL) entitled to the same in proportion to their fractional entitlements.

8.5 The shares issued to the members of the demerged company pursuant to clause 8.1 above shall be issued in dematerialized form by the Resulting Company, unless otherwise notified in writing by the shareholders of the demerged company to the Resulting Company on or before such date as may be determined by the Board of Directors of the Resulting Company or a committee thereof. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares shall be issued to such members in dematerialized form provided that the members of the Demerged Company shall be required to have an account with a depository participant and shall provide details thereof and such other confirmations as may be required it is only thereupon that the Resulting Company shall issued and directly credit the dematerialised securities to the account of such member with the shares of the Resulting Company. In the event that the Resulting Company has received notice from any member that shares are to be issued in certificate form or if any members has not provided the requisite details relating to the account with depository participant or other confirmations as may be required, then the Resulting Company shall issued shares in certificate form to such member.



- 8.6 The New Equity Shares to be issued in respect of the shares of the Demerged Company held in the unclaimed suspense account, if any, shall be issued to a new unclaimed suspense account created for the shareholders of the Resulting Company.
- 8.7 New Equity Shares to be issued by the Resulting Company pursuant to Clause 8.1 above in respect of such of the equity shares of the Demerged Company which are held in abeyance under the provisions of Section 126 of the Act or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be kept in abeyance by the Resulting Company.
- 8.8 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Demerged Company, the Board of Directors or any committee thereof of the Demerged Company shall be empowered in appropriate cases, prior or even subsequent to the Record Date, to effectuate such a transfer in the Demerged Company as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor of the shares in the Resulting Company and in relation to the shares issued by the Resulting Company after the effectiveness of this Scheme. The Board of Directors of the Demerged Company shall be empowered to remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in Resulting Company on account difficulties faced in the transition period.
- 8.9 Unless otherwise determined by the Board of Directors or any committee thereof of the Demerged and Resulting Company, allotment of shares in terms of clause 8.1 of this part shall be done within 30 days from the effective date.
- 8.10 Pursuant to and upon this Scheme becoming effective, the Resulting company shall take necessary steps to increase and alter its authorized share capital suitably to enable the Resulting company to issue and allot the Equity Shares in the Resulting Company to the shareholders of the Demerged Company in terms of this Scheme and as an integral part of this Scheme, the share capital of the Resulting Company shall be increased in the manner set out in Clause 15 below.
- 8.11 Equity Shares of the Resulting Company issued in terms of clause 8.1 above and Equity shares of the Resulting Company issued at the time of the incorporation and thereafter shall pursuant to the circular dated 10th March, 2017 bearing No. CFD/DIL3/CIR/2017/21 issued by Securities and Exchange Board of India (SEBI)



and in accordance with compliance with requisite formalities under applicable laws, be listed and / or admitted to trading on BSE Limited and National Stock Exchange of India Limited (NSE), the relevant stock exchange(s) where the existing equity shares of the Demerged Company are listed and / or admitted to trading in accordance with the compliance with requisite formalities under applicable laws and the Demerged company and the Resulting Company shall enter into such agreement / arrangement and give confirmations and / or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said stock exchange (BSE Limited and National Stock Exchange of India Limited (NSE)).

- 8.12 The equity shares of the Resulting Company allotted pursuant to the scheme shall remain frozen in the depositories system till listing / trading permission is given by the designated stock exchange.
- 8.13 Till the listing of the equity shares of the Resulting Company, there will be no change in the pre-arrangement capital structure and shareholding pattern or controls in the Resulting Company which may affect status of the approval of the stock exchanges to this scheme.
- 8.14 Approval of the Scheme by the shareholders of ADL shall be deemed to be due compliance of the provisions of section 42, 62 if any and other relevant or applicable provisions of the Companies Act, 2013 and Rules made thereunder, the SEBI(LODR) Regulations, 2015 and the Articles of Association of the Resulting company and no other consent shall be required under the Act or the Articles of Association of the Resulting company for the issue and allotment of the Equity shares by ADL to the shareholders of AIL as provided hereinabove.

SECTION 5 - GENERAL TERMS AND CONDITIONS

9. ACCOUNTING TREATMENT IN THE BOOKS OF THE DEMERGED COMPANY

Upon the effectiveness of this Scheme, in accordance with applicable accounting standards, Act and generally accepted accounting principles in India, the Demerged Company shall provide the following accounting treatment in its books of accounts:

- 9.1. Upon the Scheme coming into effect from the Appointed Date, the Demerged Company shall transfer the assets and liabilities forming part of the Demerged Undertaking to the Resulting



Company at their respective carrying amounts (i.e. the book value) at the Appointed Date;

9.2. Inter-company Investment and / or Loans and Advances if any between the Demerged Company and the Resulting Company will stand cancelled and there shall be no further obligation/outstanding in that behalf.

9.3. Adjustments

9.3.1 Upon the Scheme coming into effect, Reserves of the Demerged Company shall be adjusted solely to meet the requirement of IND AS notified under Section 133 of the Act, the fair value as at the Appointed Date of the Demerged Undertaking

9.3.2 The adjustment to Reserve mentioned in Clause 9.3.1 shall be as follows:

- (i) the excess of the book value of assets over the book value of liabilities transferred as per Clause 9.1 as at the Appointed Date if any shall be reduced from the balance in the Securities Premium account.
- (ii) the difference between (a) the fair value of the Demerged Undertaking as determined under Clause 9.3.1, and (b) the adjustment under Clause 9.3.2 (i), shall be charged to the surplus/deficit accumulated in Retained earnings.

9.4 Upon the Scheme coming into effect, with effect from Appointed Date, solely to meet the requirement of Ind AS notified under section 133 of the Act, the difference between (a) the fair value of the Demerged Undertaking as determined under Clause 9.3.1 and (b) the excess of the book value of assets over the book value of liabilities transferred as per Clause 9.1 as at the Appointed Date, shall be credited to the Statement of Profit and Loss.

9.5 As mentioned in Clause 6, with effect from Appointed Date until Effective Date, the Demerged Company shall be deemed to have been carrying on its business and activities relating to the Demerged Undertaking and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all its estates, properties, rights, title, interest, authorities, contracts and investments and assets forming part of the Demerged Undertaking for and on account of and in trust for the Resulting Company. Accordingly, the following shall apply:

- (i) Pending Approval of the Scheme by the NCLT and other appropriate authorities, in the period between Appointed Date and the Effective Date, the Demerged Company shall continue to record the transactions and balances relating to the



Demerged Undertaking in its books of account.

- (ii) Upon the Scheme coming into effect, the Demerged Company shall derecognize all transactions and balance relating to the Demerged Undertaking that was recorded between the Appointed Date and the Effective Date pursuant to Clause 9.5 (i) above and shall redraw its books of account to the extent required to give effect to the Scheme.

9.6 It is reiterated that the demerger of the Demerged Undertaking of the Demerged Company into the Resulting Company pursuant to this Scheme shall take place with effect from the Appointed Date and shall be in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.

9.7 The reduction, if any, in the securities Premium account of the Demerged Company shall be effected as an integral part of the Scheme in accordance with the provisions of Section 52 and 66 of the Companies Act, 2013 and the order of the National Company Law Tribunal (NCLT) sanctioning the scheme shall be deemed to be also the order under Section 66 of the Companies Act, 2013 for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid up share capital and the provisions of Section 66 of the Companies Act, 2013 will not be applicable.

10. ACCOUNTING TREATMENT IN THE BOOKS OF THE RESULTING COMPANY

Recording the transfer of assets and liabilities on demerger:

Upon the effectiveness of this Scheme, in accordance with applicable accounting standards, Act and generally accepted accounting principles in India, the Resulting Company shall provide the following accounting treatment in its books of accounts:

- 10.1 Upon the Scheme coming into effect, with effect from the Appointed date, the Resulting Company shall record the assets and liabilities of the Demerged Undertaking of the Demerged Company vested in its pursuant to this Scheme at their respective book values appearing in the books of the Demerged Company, as per Clause 9.1 above in accordance with Indian Accounting Standard (Ind AS) notified under Section 133 of the Act;
- 10.2 The Resulting Company shall credit its share capital account with the face value of New Equity Shares issued in accordance with Clause 8.1.



- 10.3 The surplus/deficit between the value of Net Assets ("Net Assets" means excess of value of assets over the value of liabilities as per Clause 10.1) pertaining to the Demerged Undertaking and the amount of New Equity Shares issued under Clause 8.1 above shall be credited to capital reserve/debited to goodwill as the case may be. Goodwill if any will be written off against General reserve and/ or Securities Premium account of the Resulting Company.
- 10.4 Having recorded the transfer of the assets and the liabilities as aforesaid, the Resulting Company shall make necessary adjustments such that all the assets and liabilities acquired (including assets and liabilities not specifically recognized by the Demerged Company in its financial statements), as well as shares issued and the resultant goodwill/capital reserve arising on demerger are reflected at their acquisition date fair values as required for compliance with the mandatory Indian Accounting Standards, specifically, Ind AS 103 'Business Combinations', notified under Section 133 of the Act, read with the rules made there under and other Generally Accepted Accounting Principles. Further, acquisition related costs will also be accounted in accordance with the requirements of Ind AS 103 'Business Combination'.
- 10.5 Notwithstanding the above, the Board of Directors of the Resulting Company, in consultation with its statutory auditors, is authorized to account any of the balances in any other manner in accordance with the applicable accounting standards, if such accounting treatment is considered more applicable.
- 10.6 It is reiterated that the demerger of the Demerged Undertaking of the Demerged Company into the Resulting Company pursuant to this Scheme shall take place with effect from the Appointed Date and shall be in accordance with the provisions of section 2(19AA) of the Income Tax, 1961. Upon The Scheme coming into effect, the Resulting Company shall account for the transactions relating to the Demerged Undertaking from the Appointed Date and shall redraw its books of account to extent required to give effect to the Scheme.

11. REDUCTION OF CAPITAL - (SECURITIES PREMIUM)

- 11.1 The debit balance of the said Demerger / Reconstruction adjustment account as per para no. 9.3 and 10.3 above shall be adjusted against the Profit and Loss account and / or Securities premium account of the Demerged Company and / or Resulting Company.
- 11.2 The adjustment / reduction towards securities Premium account shall tantamount to reduction of capital as per Section 66 read alongwith Section 52 of the Companies Act, 2013.



11.3 The reduction, if any, in the securities Premium account of the Demerged Company and / or Resulting company shall be effected as an integral part of the Scheme in accordance with the provisions of Section 66 read alongwith Section 52 of the Companies Act, 2013 and the order of the National Company Law Tribunal (NCLT) sanctioning the scheme shall be deemed to be also the order under Section 66 of the Companies Act, 2013 for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid up share capital and the provisions of Section 66 of the Companies Act, 2013 will not be applicable.

12. TAXES

All taxes (including income tax, sales tax, excise duty, custom duty, service tax, VAT, Goods and Service Tax (GST) etc.) paid or payable by the Demerged Company in respect of the operations and/or the profits of the Demerged Undertaking before the Appointed Date, shall be on account of the Demerged Company and, insofar as it relates to the tax payment (including, without limitation, income tax, sales tax, excise duty, custom duty, service tax, VAT, Goods and Service Tax (GST), etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by the Demerged Company in respect of the profits or activities or operation of the Demerged Undertaking after the Appointed Date, the same shall be deemed to be the corresponding item paid by the Resulting Company and shall, in all proceedings, be dealt with accordingly.

13. SCHEME CONDITIONAL ON

This Scheme is conditional upon and subject to:

- 13.1 Obtaining no-objection /observation letter from the Stock Exchanges in relation to the Scheme under Regulation 37 of SEBI(LODR) Regulations, 2015
- 13.2 the Scheme being agreed to by the respective requisite majorities of the various classes of members and creditors of the Demerged Company and the Resulting Company as required under the Act and the requisite order of the Hon'ble National Company Law Tribunal (NCLT) Allahabad Bench being obtained;
- 13.3 As para 9 of SEBI Circular No. CFD/ DIL3 / CIR /2017 / 21 dated 10th March, 2017 is applicable to this Scheme, therefore it is provided in the Scheme that the Demerged company will provide voting by the public shareholders through postal ballot and e-voting and will



disclose all material facts in the explanatory statement to be sent to the shareholders in relation to the said Resolution.

- 13.4 As para 9 of SEBI Circular No. CFD/ DIL3 / CIR /2017 / 21 dated 10th March, 2017 is applicable to this Scheme, the Scheme shall be acted upon only if the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it. The term "Public" shall carry the same meaning as defined under Rule 2 of Securities Contracts(Regulations) Rules, 1957
- 13.5 such other sanctions and approvals as may be required by law in respect of this Scheme being obtained; and
- 13.6 the Certified copies of the Tribunal (NCLT) orders referred to in this Scheme being filed with the Registrar of Companies, Uttarakhand.

PART III - OTHER TERMS AND CONDITIONS

14. **PROFITS. DIVIDEND, BONUS / RIGHT SHARES / PREFERENTIAL ALLOTMENT OF SHARES.**
- 14.1 AIL may issue or allot any further shares either rights or bonus or otherwise to its shareholders out of its profits and reserve and surplus earned up to 31st March, 2018 and thereafter out of the profits earned after 31st March, 2018 excluding the profit pertaining to Chintamani Undertaking. Simultaneously AIL may issue or allot any further shares as per the provisions of the Companies Act, 2013 as and when it is essential for AIL and on the terms and conditions as they may decide and such changes in Capital Structure will not in any way affect or change the exchange ratio provided in Clause 8
- 14.2 The Demerged Company and the Resulting Company shall be entitled to declare and pay dividends, whether interim or final, to their respective shareholders in respect of the accounting period prior to the Effective Date as applicable.
- 14.3 The Equity shares of the Resulting Company to be issued and allotted to the Equity shareholders of the Demerged Company as provided in clause 8 hereof shall be entitled to dividends from the date of allotment.



- 14.4 The holders of the shares of the Demerged Company and the Resulting Company shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing rights under their respective articles of association including the right to receive dividends.
- 14.5 It is clarified that the aforesaid provisions in respect of declaration of dividends are enabling provisions only and shall not be deemed to confer any right on any member of the Demerged Company and/or the Resulting Company to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the boards of directors of the Demerged Company and the Resulting Company respectively, and subject to the approval, if required, of the shareholders of the Demerged Company and the Resulting Company respectively.

**15. INCREASE IN THE AUTHORISED SHARE CAPITAL OF ARCHIDPLY DECOR LIMITED
CONSEQUENT ALTERATIONS IN THE MEMORANDUM OF ASSOCIATION**

The Authorised Share Capital of ARCHIDPLY DECOR LIMITED shall be increased and reorganized, in the manner mentioned below, to cover the fresh issue of equity shares by ADL to the shareholders of the Demerged Company in terms of clause 8 of this Scheme:

The Authorised Share Capital of ARCHIDPLY DECOR LIMITED shall be increased and reorganized from Rs. 10,00,000/- (Rupees Ten Lac only) comprising of 1,00,000 (One Lac) Equity Shares of Rs. 10/- (Rupees Ten) each to Rs.6,00,00,000/- (Rupees Six Crores only) comprising of 60,00,000 (Sixty Lacs) Equity Shares of Rs.10/- (Rupees Ten) each.

In consequence of the increase in the Authorised Share Capital, as mentioned above, following new clause V shall be inserted in the Memorandum of Association of the Resulting Company in place and stead of the existing clause V:

Clause V: - Memorandum of Association.

The Authorised share capital of the Company is Rs. 6,00,00,000/- (Rupees Six Crores only) divided into 60,00,000 Equity Shares of Rs. 10/- each.

It is clarified that the relevant date for the increase of Authorised Share Capital of the Resulting Company shall be the effective date and the statutory time limit for filing of necessary documents with Registrar of Companies in connection with such increase in the



Authorised Share Capital shall commence from the date the Scheme becomes effective. It is also clarified that the Resulting Company shall be required to pay the filing fee and stamp duty only on the increase in the Authorised Share Capital from Rs. 10,00,000/- to Rs.6,00,00,000/- i.e. an increase of Rs. 5,90,00,000/-.

It is further clarified that the Resulting Company shall not be required to pass any resolution under section 13, 61 and other applicable provisions, if any, of the Companies Act, 2013 for increase in the Authorised Share Capital of the Resulting Company, as envisaged above and that the members of the Resulting Company shall be deemed to have accorded their consent under various provisions of the Companies Act, 2013 and Rules made there under to the increase in the share capital in terms of this Scheme.

16. APPLICATION(S) TO THE NATIONAL COMPANY LAW TRIBUNAL [NCLT]

The Demerged Company and the Resulting Company shall make, as applicable, joint or separate applications/petitions under Section 230 to 232 read alongwith Section 52 and Section 66 of the Companies Act, 2013 to the National company Law Tribunal (NCLT), as necessary, inter act, to seek orders for dispensing with or for convening, holding or conducting of the meetings of their respective shareholders and creditors, sanctioning of this Scheme and further applications / petitions under Sections 230 to 232 read alongwith Section 52 and Section 66 of the Companies Act, 2013 including for sanction / confirmation / clarification of the Scheme or connected therewith, as necessary.

17. MODIFICATIONS OF SCHEME

17.1 The Demerged Company and the Resulting Company through their Board of Directors may consent on behalf of all persons concerned to any modifications or amendments of this Scheme or to any conditions which the Tribunal (NCLT) and/or any other authorities under law may deem fit to approve of or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for carrying out the Scheme and do all acts, deeds and things as may be necessary, desirable or expedient for putting this Scheme into effect.

17.2 However no modifications and / or amendments to the Scheme can be carried out or effected by the Board of Directors without approval of the Tribunal (NCLT) and the same shall be subject to powers of the Tribunal (NCLT) under Section 230 to 232 of the Act.

17.3 For the purpose of giving effect to this Scheme or to any modifications thereof, the Directors



of the Demerged Company and the Resulting Company are authorized to give such directions and/or to take such steps as may be necessary or desirable including any directions for settling any question or doubt or difficulty whatsoever that may arise.

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

18. NON- RECEIPT OF APPROVALS AND REVOCATION/WITHDRAWAL OF THIS SCHEME

18.1 The Demerged Company and the Resulting Company acting jointly through their respective Boards shall each be at liberty to withdraw from this Scheme.

18.2 The Demerged Company and/or Resulting Company acting through their respective Boards shall each be at liberty to withdraw from this Scheme in case the Demerged Company or the Resulting Company is declared insolvent.

18.3 In the event of any of the said sanctions and approvals not being obtained and/or the Scheme not being sanctioned by the Tribunal, and/or the order or orders not being passed as aforesaid on or before 15 (fifteen) months from the date of approvals of the Scheme by respective Boards of the Parties or within such extended period as may be mutually agreed upon between the Demerged Company and the Resulting Company through their respective Boards or their authorized representatives, this Scheme shall become null and void and each party shall bear and pay its respective costs, charges and expenses for and/ or in connection with this Scheme.

18.4 In the event of revocation/withdrawal of the Scheme under Clause 18.1, 18.2 or 18.3 above, no rights and liabilities whatsoever shall accrue to or be incurred inter se the Demerged Company and the Resulting Company or their respective shareholders or creditors or employees or any other person, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or in accordance with the Applicable Law and in such case, each party shall bear its own costs, unless otherwise mutually agreed.

19. REVISION OF ACCOUNTS AND TAX FILINGS, MODIFICATION OF CHARGE

19.1 Upon this Scheme becoming effective and from the Appointed Date, the Demerged Company



and Resulting company are expressly permitted to revise and file its income tax returns and other statutory returns, including tax deducted at source returns, services tax returns, excise tax returns, sales tax and value added tax returns, Goods and Service Tax (GST) returns etc. as may be applicable and has expressly reserved the right to make such provisions in its returns and to claim refunds or credits etc, if any. Such returns may be revised and filed notwithstanding that the statutory period for such revision and filing may have lapsed.

- 19.2 Filing of the certified copy of the orders of the NCLT sanctioning this Scheme with the concerned Registrar of Companies, shall be deemed to be sufficient for creating or modifying the charges in favour of the secured creditors, if any, of the Demerged Company and Resulting company, as required as per the provisions of this Scheme.

20. SEVERABILITY

If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Demerged Company and the Resulting Company, affect the validity or implementation of the other parts and/or provisions of this Scheme.

21. MUTATION OF PROPERTY

Upon the Scheme coming into effect and with effect from the Appointed Date, the title to the immovable properties, of the Demerged Undertakings shall be deemed to have been mutated and recognized as that of the Resulting Company and the mere filing of the certified true copy of the vesting order of the Tribunal sanctioning the Scheme with the appropriate Registrar or Sub-registrar of Assurances or with the relevant Government agencies shall suffice as record of continuing title of the immovable properties of the Demerged Undertakings with the Resulting Company pursuant to the Scheme becoming effective and shall constitute a deemed mutation and substitution thereof.

22. COSTS

Upon the sanction of this Scheme by the Tribunal (NCLT), all costs (including but not limited to stamp duty, registration charges, etc.) in relation to the Demerger shall be equally borne by the Demerged and Resulting Company.

For ARCHIDPLY INDUSTRIES LTD.,

Company Secretary