

# THE COMPANIES ACT, 2013

## COMPANY LIMITED BY SHARES (Incorporated under the Companies Act, 1956)

### ARTICLES OF ASSOCIATION

#### OF

## VINYL CHEMICALS (INDIA) LIMITED

The following regulations comprised in these Articles of Association were adopted pursuant to the resolution passed by the members at the 32nd Annual General Meeting of the Company held on 31<sup>st</sup> August, 2018, in substitution for, and to the entire exclusion of, the earlier regulations comprised in the extant Articles of Association of the Company.

### 1. CONSTITUTION OF THE COMPANY

The regulations contained in Table "F" of Schedule I to the Companies Act, 2013 shall apply to the Company, only in so far as the same are not provided for or are not inconsistent with these Articles.

- i. The regulations for the management of the Company and for the observance by the members thereto and their representatives shall be such as are contained in these Articles subject however to the exercise of the statutory powers of the Company in respect of repeal, additions, alterations, substitution, modifications and variations thereto by special resolution as prescribed by the Companies Act, 2013.

### 2. INTERPRETATION

- a. In the interpretation of these Articles, the following words and expressions shall have the following meaning assigned thereunder, unless repugnant to the subject or context thereof.

**"The Act" or "the said Act"**

"The Act" or "the said Act" means the Companies Act, 2013 read with the relevant Rules framed thereunder or any statutory modifications or re-enactment thereof for the time being in force and the term shall be deemed to refer to the applicable section thereof which is relatable to the relevant Article in which the said term appears in these Articles and any previous company law, so far as may be applicable.

**"Articles"**

"Articles" means these Articles of Association of the Company or as altered from time to time.

**"Board of Directors" or "Board"**

"Board of Directors" or "Board", means the collective body of the Directors of the Company.

**"The Company" or "This Company"**

"The Company" or "This Company" means **VINYL CHEMICALS (INDIA) LIMITED.**

**"Rules"**

"Rules" means the applicable rules for the time being in force as prescribed under relevant sections of the Act.

**"Seal"**

"Seal" means the common seal for the time being of the company.

- b. Words importing the singular number shall include the plural number and words importing the masculine gender shall, where the context admits, include the feminine gender.
- c. Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act or the Rules, as the case may be.

### **3. GENERAL AUTHORITY**

**The things prescribed in the Act to be done only if authorised by Articles, hereby generally authorized.**

Wherever the Act or the Rules provide that the company shall have any right, privilege or authority or that the Company could carry out any transaction only if the company is so authorised by its Articles, then and in that case this regulation hereby authorises and empowers the company to have such right, privilege or authority and to carry such transaction as have been permitted by the Act without there being any specific Article in that behalf herein provided.

### **4. SHARE CAPITAL**

- i. Subject to the provisions of the Act and these Articles, the shares in the capital of the Company shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.
- ii. Subject to the provisions of the Act and these Articles, the Board may issue and allot shares in the capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid-up or partly paid-up otherwise than for cash, and if so issued, shall be deemed to be fully paid-up or partly paid-up shares, as the case may be.
- iii. The Company may issue the following kinds of shares in accordance with these Articles, the Act, the Rules and other applicable laws:
  - a. Equity share capital:
    - with voting rights; and / or;
    - with differential rights as to dividend, voting or otherwise in accordance with the Rules; and
  - b. Preference share capital

### **5. PREFERENCE SHARES**

The Company, subject to the applicable provisions of the Act, shall have the power to issue on a cumulative or non-cumulative basis, preference shares whether convertible or non-convertible and to be redeemed in any manner permissible under the Act and the Board may, subject to the applicable provisions of the Act, exercise such power in any manner as they deem fit and provide for redemption of such shares on such terms including the right to redeem at a premium or otherwise as they deem fit.

### **6. UNDERWRITING AND BROKERAGE**

#### **Commission may be paid**

Subject to the provisions of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any securities of the company, or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any securities of the Company, but so that the commission shall not exceed in the case of shares five per cent of the price at which the shares are issued and in the case of debentures two and half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or debentures or partly in the one way and partly in the other.

## Brokerage

The Company may pay a reasonable sum for brokerage.

## 7. SHARE CERTIFICATE

- i. Every person whose name is entered as a member in the register of members shall be entitled to receive-
  - a. within two months after allotment or within one month from the date of receipt by the Company of the application for the registration of transfer or transmission or;
  - b. within such other period as the conditions of issue shall provide –
    - one certificate for all his shares without payment of any charges; or
    - several certificates, each for one or more of his shares, upon payment of such charges as may be fixed by the Board for each certificate after the first
- ii. Every certificate shall be under the Seal (where the Company has a Seal) and shall specify the shares to which it relates and the amount paid-up thereon.
- iii. In respect of any share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
- iv. The Company shall be entitled to dematerialise its existing Shares, rematerialise its Shares held in the depository and/or to offer its fresh shares in a dematerialised form pursuant to the Depositories Act and the regulations framed there under, if any.
- v. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deems adequate, being given, a new Certificate in lieu thereof shall be given. Every Certificate under the Articles shall be issued on payment of such fees as may be fixed by the Board.
- vi. The provisions of this Article shall mutatis mutandis apply to Debentures and other Securities of the Company.

## 8. CALLS

- i. The Board may, from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times.
- ii. Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the Company, at the time or times and place so specified, the amount called on his shares.
- iii. The Board may, from time to time, at its discretion, extend the time fixed for the payment of any call in respect of one or more members as the Board may deem appropriate in any circumstances.
- iv. A call may be revoked or postponed at the discretion of the Board.
- v. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by instalments.
- vi. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
- vii. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof (the "due date"), the person from whom the sum is due shall pay interest thereon from the due date to the time of actual payment at such rate as may be fixed by the Board.

- viii. The Board shall be at liberty to waive payment of any such interest wholly or in part.
- ix. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these Articles, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.
- x. In case of non-payment of such sum, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
- xi. The Board –
  - a. may, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and
  - b. upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate as may be fixed by the Board. Nothing contained in this clause shall confer on the member (a) any right to participate in profits or dividends or (b) any voting rights in respect of the monies so paid by him until the same would, but for such payment, become presently payable by him.
- xii. If by the conditions of allotment of any shares, the whole or part of the amount of issue price thereof shall be payable by instalments, then every such installment shall, when due, be paid to the Company by the person who, for the time being and from time to time, is or shall be the registered holder of the share or the legal representative of a deceased registered holder. All calls shall be made on a uniform basis on all shares falling under the same class.
- xiii. Neither a judgment nor a decree in favour of the Company for calls or other monies due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the forfeiture of such shares as herein provided.
- xiv. The provisions of these Articles relating to calls shall mutatis mutandis apply to any other securities including debentures of the Company.

## 9. FORFEITURE OF SHARES

- i. If a member fails to pay any call or installment of a call or any money due in respect of any share, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on him requiring payment of so much of the call or installment or other money as is unpaid, together with any interest which may have accrued and all expenses that may have been incurred by the Company by reason of non-payment.
- ii. The notice aforesaid shall:
  - a. name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and
  - b. state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.
- iii. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.
- iv. Neither the receipt by the Company for a portion of any money which may from time to time be due from any member in respect of his shares, nor any indulgence that may be granted by the Company in respect of payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture in respect of such shares as herein provided. Such forfeiture shall include all dividends declared or any other monies payable in respect of the forfeited shares and not actually paid before the forfeiture.

- v. When any share shall have been so forfeited, notice of the forfeiture shall be given to the defaulting member and an entry of the forfeiture with the date thereof, shall forthwith be made in the register of members but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.
- vi. The forfeiture of a share shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share.
- vii. A forfeited share shall be deemed to be the property of the Company and may be sold or re-allotted or otherwise disposed of either to the person who was before such forfeiture the holder thereof or entitled thereto or to any other person on such terms and in such manner as the Board thinks fit. At any time before a sale, re-allotment or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
- viii. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay, and shall pay, to the Company all monies which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares. All such monies payable shall be paid together with interest thereon at such rate as the Board may determine, from the time of forfeiture until payment or realisation. The Board may, if it thinks fit, but without being under any obligation to do so, enforce the payment of the whole or any portion of the monies due, without any allowance for the value of the shares at the time of forfeiture or waive payment in whole or in part. The liability of such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.
- ix. A duly verified declaration in writing that the declarant is a director, the manager or the secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share;
- x. The Company may receive the consideration, if any, given for the share on any sale, re-allotment or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of;
- xi. The transferee shall thereupon be registered as the holder of the share;
- xii. The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share.
- xiii. Upon any sale after forfeiture or for enforcing a lien in exercise of the powers hereinabove given, the Board may, if necessary, appoint some person to execute an instrument for transfer of the shares sold and cause the purchaser's name to be entered in the register of members in respect of the shares sold and after his name has been entered in the register of members in respect of such shares the validity of the sale shall not be impeached by any person.
- xiv. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate(s), if any, originally issued in respect of the relative shares shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member) stand cancelled and become null and void and be of no effect, and the Board shall be entitled to issue a duplicate certificate(s) in respect of the said shares to the person(s) entitled thereto.
- xv. The Board may, subject to the provisions of the Act, accept a surrender of any share from or by any member desirous of surrendering them on such terms as they think fit.
- xvi. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
- xvii. The provisions of these Articles relating to forfeiture of shares shall mutatis mutandis apply to any other securities including debentures of the Company.

## 10. COMPANY'S LIEN

- i. The Company shall have a first and paramount lien –
  - a. on every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and
  - b. on all shares (not being fully paid shares) standing registered in the name of a member, for all monies presently payable by him or his estate to the Company:

Provided that the Board may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

- ii. The Company's lien, if any, on a share shall extend to all dividends or interest, as the case may be, payable and bonuses declared from time to time in respect of such shares for any money owing to the Company.
- iii. Unless otherwise agreed by the Board, the registration of a transfer of shares shall operate as a waiver of the Company's lien.
- iv. The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien:

Provided that no sale shall be made-

- a. unless a sum in respect of which the lien exists is presently payable; or
- b. until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or to the person entitled thereto by reason of his death or insolvency or otherwise.

- v. Validity of sale:

- a. To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof.
- b. The purchaser shall be registered as the holder of the shares comprised in any such transfer.

- vi. The receipt of the Company for the consideration (if any) given for the share on the sale thereof shall (subject, if necessary, to execution of an instrument of transfer or a transfer by relevant system, as the case may be) constitute a good title to the share and the purchaser shall be registered as the holder of the share.
- vii. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings with reference to the sale.
- viii. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable. The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.
- ix. In exercising its lien, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or unless required by any statute) be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person, whether a creditor of the registered holder or otherwise. The Company's lien shall prevail notwithstanding that it has received notice of any such claim.
- x. The provisions of these Articles relating to lien shall *mutatis mutandis* apply to any other securities including debentures of the Company.

## 11. TRANSFER OF SHARES

- i. The instrument of transfer of any share in the Company shall be duly executed by or on behalf of both the transferor and transferee.
- ii. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.
- iii. The Board may, subject to the right of appeal conferred by the Act decline to register –
  - a. the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or
  - b. any transfer of shares on which the Company has a lien.
- iv. In case of shares held in physical form, the Board may decline to recognise any instrument of transfer unless –
  - a. the instrument of transfer is duly executed and is in the form as prescribed in the Rules made under the Act;
  - b. the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
  - c. the instrument of transfer is in respect of only one class of shares.
- v. On giving of previous notice of at least seven days or such lesser period in accordance with the Act and Rules made thereunder, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine.

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.
- vi. The provisions of these Articles relating to transfer of shares shall *mutatis mutandis* apply to any other securities including debentures of the Company.

## 12. TRANSMISSION OF SHARES

- i. On the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares.
- ii. Nothing in clause (i) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
- iii. Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either
  - a. to be registered himself as holder of the share; or
  - b. to make such transfer of the share as the deceased or insolvent member could have made.

The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

The Company shall be fully indemnified by such person from all liability, if any, by actions taken by the Board to give effect to such registration or transfer.

- iv. If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share. All the limitations,

restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were signed by that member.

- v. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company:

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have been complied with.

- vi. The provisions of these Articles relating to transmission by operation of law shall *mutatis mutandis* apply to any other securities including debentures of the Company.
- vii. No fee shall be payable to the Company in respect of transfer or transmission of any shares in the Company.

### **13. FURTHER ISSUE OF SHARES**

- i. The Board or the Company, as the case may be, may, in accordance with the Act and the Rules, issue further shares to –
  - a. persons who, at the date of offer, are holders of equity shares of the Company; such offer shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person; or
  - b. employees under any scheme of employees' stock option; or
  - c. any persons, whether or not those persons include the persons referred to in clause (a) or clause (b) above.
- ii. A further issue of shares may be made in any manner whatsoever as the Board may determine including by way of preferential offer or private placement, subject to and in accordance with the Act and the Rules.

### **14. BUY- BACK OF SHARES**

Notwithstanding anything contained in these Articles but subject to all applicable provisions of the Act or any other law for the time being in force, the Company may purchase its own shares or other specified securities.

### **15.A. ALTERATION OF SHARE CAPITAL**

Subject to the provisions of the Act, the Company may, by ordinary resolution –

- a. increase the share capital by such sum, to be divided into shares of such amount as it thinks expedient;
- b. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

Provided that any consolidation and division which results in changes in the voting percentage of members shall require applicable approvals under the Act

- c. convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;
- d. sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum;



- e. cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Provided that the cancellation of shares pursuant to the actions as above shall not be deemed to be reduction of share capital within the meaning of the Act.

## **B. CONVERSION INTO STOCK**

Where shares are converted into stock:

- a. the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same Articles under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:

Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose;

- b. the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage;
- c. such of these Articles of the Company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder"/"member" shall include "stock" and "stock-holder" respectively.

## **C. REDUCTION OF SHARE CAPITAL**

The Company may, by resolution as prescribed by the Act, reduce in any manner and in accordance with the provisions of the Act and the Rules —

- a. its share capital and/or
- b. any capital redemption reserve account and/or
- c. any securities premium account and/or
- d. any other reserve in the nature of share capital.

## **16. VARIATION OF RIGHTS**

- i. Where, the Capital, is divided (unless otherwise provided by the terms of issue of the shares of that class) into different classes of shares, all or any of the rights and privileges attached to each class may be varied, subject to the provisions of the Act and applicable Laws, and whether or not the Company is being wound up, be varied provided the same is affected with consent in writing of the holders of not less than three-fourths of the issued shares of that class or by way of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class.
- ii. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate meeting.
- iii. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking paripassu therewith.

## **17. CHAIRMAN**

- i. The Chairman of the Board shall preside as Chairman at every General Meeting of the Company.
- ii. If there is no such Chairman of the Board or if at any meeting he is not present within fifteen minutes of the time appointed for holding such meeting or if he is unwilling to take the Chair, then the Directors present shall elect one of them as Chairman.

- iii. If no Director is present or if all the Directors present decline to take the Chair, then the members present shall elect one of their members to be the Chairman of the meeting.
- iv. No business shall be transacted at any General Meeting except the election of a Chairman while the Chair is vacant.
- v. On any business at any general meeting, in case of an equality of votes, whether on a show of hands or electronically or on a poll, the Chairman shall have a second or casting vote.

## 18. PROCEEDINGS AT GENERAL MEETING

- i. Except as provided in the said Act, no general meeting, annual or extraordinary, shall be competent to enter upon, discuss or transact any business a statement of which has not been specified in the notice convening the meeting.
- ii. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.
- iii. The quorum for a general meeting shall be as provided in the Act.
- iv. A. The Company shall cause minutes of the proceedings of every general meeting of any class of members or creditors and every resolution passed by postal ballot to be prepared and signed in such manner as may be prescribed by the Rules and kept by making within thirty days of the conclusion of every such meeting concerned or passing of resolution by postal ballot entries thereof in books kept for that purpose with their pages consecutively numbered.  
B. There shall not be included in the minutes any matter which, in the opinion of the Chairman of the meeting –
  - a. is or could reasonably be regarded, as defamatory of any person or
  - b. is irrelevant or immaterial to the proceedings or
  - c. is detrimental to the interests of the Company.C. The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds as specified above.  
D. The minutes of the meeting kept in accordance with the provisions of the Act shall be evidence of the proceedings recorded therein.
- v. A. The books containing the minutes of the proceedings of any general meeting of the Company or a resolution passed by postal ballot shall –
  - be kept at the registered office of the Company or such other place as the Board may decide and
  - be open to inspection of any member without charge, during 11.00 a.m. to 1.00 p.m. on all working days other than Saturdays.B. Any member shall be entitled to be furnished, within the time prescribed by the Act, after he has made a request in writing in that behalf to the Company and on payment of such fees as may be fixed by the Board, with a copy of any minutes referred to in clause (A) above.
- vi. The Board or any person(s) authorised by the Board may take any action before the commencement of any general meeting, or any meeting of a class of members in the Company, which they may think fit to ensure the security of the meeting, the safety of people attending the meeting and the future orderly conduct of the meeting. Any decision made in good faith under this Article shall be final and rights to attend and participate in the meeting concerned shall be subject to such decision.

## 19. ADJOURNMENT OF GENERAL MEETING

- i. The Chairman may, *suomotu*, adjourn the meeting from time to time and from place to place.
- ii. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- iii. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, and save as provided in the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

## 20. VOTING RIGHTS

- i. Subject to any rights or restrictions for the time being attached to any class or classes of shares -
  - a. on a show of hands, every member present in person shall have one vote; and
  - b. on a poll, the voting rights of members shall be in proportion to his share in the paid-up equity share capital of the company.
- ii. A member may exercise his vote at a meeting either by electronic means or otherwise in accordance with the Act and shall vote only once.
- iii. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

For this purpose, seniority shall be determined by the order in which the names stand in the register of members.
- iv. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy. If a member is a minor, the vote in respect of his share or shares shall be by his guardian or any one of his guardians.
- v. Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission clause to any shares may vote at any general meeting in respect thereof as if he was the registered holder of such shares, provided that at least 48 (forty eight) hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall duly satisfy the Board of his right to such shares unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.
- vi. Any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.
- vii. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid or in regard to which the Company has exercised any right of lien.
- viii. A member is not prohibited from exercising his voting on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in the preceding Article.
- ix. Any member whose name is entered in the register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other members of the same class.
- x. A preference share holder shall not be entitled to vote at general meetings of the Company except as provided under the Act.

## **21. PROXY**

- i. Any member entitled to attend and vote at a general meeting may do so either personally or through his constituted attorney or through another person as a proxy on his behalf, for that meeting.
- ii. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- iii. An instrument appointing a proxy shall be in the form as prescribed in the Rules.
- iv. A vote cast in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given:  
  
Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.
- v. In case of electronic voting, a member shall be deemed to have exercised his voting rights by himself, even if any other person had voted using the login credentials of that member.

## **22. DIRECTORS**

- i. Subject to the applicable provisions of the Act, the number of Directors of the Company shall not be less than 3 (three) and not more than 15 (fifteen). However, the Company may at any time appoint more than 15 (fifteen) Directors after passing special resolution at a general meeting.
- ii. The Company may at the general meeting, and subject to the provisions of the Act, remove any director before the expiration of his period of office and appoint another Director.
- iii. The same individual may, at the same time, be appointed as the Chairman of the Company as well as the Managing Director or Chief Executive Officer of the Company.

## **23. RETIREMENT OF DIRECTORS BY ROTATION**

At every Annual General Meeting of the Company, one-third of such of the Directors as are liable to retire by rotation in accordance with the Act (excluding Independent Directors, Nominee Directors and Alternate Directors) or if their number is not three or a multiple of three then the number nearest to one-third shall retire from office and they will be eligible for re-election.

The Directors to retire by rotation shall be those who have been longest in office since their last appointment but as between persons who became directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot.

## **24. APPOINTMENT OF ALTERNATE DIRECTORS**

- i. The Board may appoint an alternate Director to act for a Director (hereinafter in this Article called "the Original Director") during his absence for a period of not less than three months from India. No person shall be appointed as an alternate Director for an independent Director unless he is qualified to be appointed as an independent Director under the provisions of the Act.
- ii. An alternate Director shall not hold office for a period longer than that permissible to the original Director in whose place he has been appointed and shall vacate the office if and when the original Director returns to India.

- iii. If the term of office of the Original Director is determined before he returns to India the automatic reappointment of retiring directors in default of another appointment shall apply to the Original Director and not to the alternate director.

## **25. CASUAL VACANCY AND ADDITIONAL DIRECTORS**

- i. If the office of any Director appointed by the Company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may, be filled by the Board of Directors at a meeting of the Board. The Director so appointed shall hold office only upto the date upto which the director in whose place he is appointed would have held office if it had not been vacated.
- ii. Subject to the provisions of the Act, the Board shall have power at any time, and from time to time, to appoint a person as an additional Director, provided the number of the directors and additional Directors together shall not at any time exceed the maximum strength fixed for the Board by the Articles.
- iii. Such person shall hold office only up to the date of the next annual general meeting of the Company but shall be eligible for appointment by the Company as a Director at that meeting subject to the provisions of the Act.

## **26.A. NOMINEE DIRECTOR**

The Company may agree with any financial institution, Company or any other authority, person, State or institution that in consideration of any loan or financial assistance of any kind whatsoever which may be rendered by it, it shall have power to nominate such number of directors on the Board of Directors of the Company as may be agreed and from time to time, remove and re-appoint them and to fill in vacancy caused by such Directors otherwise ceasing to hold office. Such nominated Directors shall not be liable to retire by rotation.

## **B. DEBENTURE DIRECTOR**

Any Trust Deed for securing debentures may provide for the right of debenture trustee to appoint and nominate and from time to time remove and reappoint a Director or Directors, in accordance with the provisions of the trust deed securing the said debentures. Such Director shall have all the rights and privileges of a Director of the Company, except in so far as is otherwise provided for herein or by the trust deed securing the debentures.

## **27. POWERS OF THE BOARD**

Subject to the provisions of the Act, the management and control of the Company shall be vested in the Board who shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do, provided that the Board shall not exercise any power or do any act or thing which is to be exercised or done by the Company in general meeting. In exercising any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or in the Memorandum of Association of the Company or these Articles or any regulations made by the company in General Meeting. No regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if those regulations had not been made.

## **28. FURTHER POWERS OF THE BOARD**

Without prejudice to the general powers conferred by the preceding Article and without limiting or restricting those powers and without prejudice to the other powers conferred by the Articles, it is hereby declared that the Directors shall have the following powers, that is to say, powers:

- i. To pay and charge to the capital account of the Company any commission or interest lawfully payable under the provisions of the Act.

- ii. Subject to provisions of the Act, to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire at or for such price or consideration and generally on such terms and conditions as they may think fit and if any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- iii. At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company either wholly or partly in cash or in shares, bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages, or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- iv. To secure the fulfilment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
- v. To accept from any member, as far as may be permissible by law, surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
- vi. To appoint any person to accept and hold in trust for the Company any property belonging to the Company in which it is interested or for any other purposes and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.
- vii. To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Company and to refer any differences to arbitration either according to Indian law or according to any foreign law and either in India or abroad, and observe, perform or challenge any award made thereon.
- viii. To act on behalf of the Company in all matters relating to bankruptcy and insolvency.
- ix. To make and give receipts, release and other discharges for monies payable to the Company and for the claims and demands of the Company.
- x. Subject to the provisions of the Act, to invest and deal with any monies of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit and from time to time to vary or realise such investment shall be made and held in the Company's own name.
- xi. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- xii. To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, release, contracts and documents and to give the necessary authority for such purpose.
- xiii. To distribute by way of bonus amongst the staff of the Company a share in the profits of the Company and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as part of the working expenses of the Company.
- xiv. To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and the wives, widows and families or the dependants of such person by building or contributing to the building of houses, dwelling units or by grants of money, pensions, gratuities, allowances, bonus or other payments or by creating and from time to time subscribing or contributing to provident and other associations, institutions, funds, or trusts and by providing or subscribing or contributing towards

places of interest and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit subject to the provisions of the Act to subscribe or contribute or otherwise to assist or to guarantee monies to charitable, benevolent bodies.

- xv. To appoint and at their discretion, remove or suspend persons for permanent, temporary, contractual or for special services as they may from time to time think fit and to determine their powers and duties and fix their salaries or emoluments or remuneration and to require security in such instances and of such amount as they may think fit and from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit.
- xvi. To comply with the requirements of any local law.
- xvii. From time to time and at any time to establish any local board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be members of such local board and to fix their remuneration.
- xviii. Subject to provisions of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the Board and to authorise the member for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit and may at any time remove any person so appointed and may annul or vary such delegation.
- xix. At any time and from time to time by powers of attorney to appoint any person or persons to be the attorney or attorneys of the Company, for such purposes and with such powers, authorities and discretions and for such period and subject to such conditions as the Board may from time to time think fit including powers enabling any such delegate or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions vested in them.
- xx. Subject to provisions of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- xxi. Subject to provisions of the Act, to sell, lease or otherwise dispose any of the properties or undertakings of the Company.
- xxii. Upon the Company entering into a partnership with any other person or Company for the purposes of carrying on the business as per the object clause of the Memorandum and Articles of Association, the Company may authorise and/or appoint such one or more of directors, officers or other representatives from time to time to do such acts, deeds or things as may be necessary for the purpose of obtaining, holding, exercising or enforcing the rights and powers of a partner and performing the duties and obligations of a partner. The above provisions will apply mutatis mutandis where a Company becomes a member of a Limited Liability Partnership, an association of persons or a body of individuals, including representing the Company at a meeting of the partners.
- xxiii. The Board of Directors may authorise from time to time accept to act as constituted attorney for any person or persons resident or non-resident in India or Company whether belongs to resident or non-resident in India and exercise through any director or Directors or any person authorised by a resolution of the Board, all powers obtained in Company by the document of power of Attorney.
- xxiv. To establish and maintain branches and agencies and manufacturing / processing facilities in foreign countries, to appoint representatives, acquire property and to do such other incidental things for conduct of the business of the Company in foreign countries.
- xxv. To exercise all powers as may be necessary to carry on the business of the Company effectively.

## 29. BORROWING

- i. Subject to the provisions of the Act, the Company may, from time to time, by a resolution passed at a meeting of the Board, borrow money either in form of advance of calls, bonds, debentures, debenture-stock or otherwise, or secure the payment of monies for the purposes of the Company not exceeding the limits of aggregate of the paid up share capital of the Company and its free reserves as provided in the Act. Provided, however, where the monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aforesaid aggregate, the Directors shall not borrow such monies without the consent of the Company in General Meeting.
- ii. The Directors may, by a resolution passed at a meeting of the Board, raise or secure the payment or repayment of any monies borrowed in such a manner and upon such terms and conditions in all respects as they think fit and, in particular by the issue of bonds, or debentures of the Company or any mortgage, charge or other security upon all or any part of the undertaking or property of the Company (both present and future) including its uncalled capital for the time being.
- iii. Any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company, shall be under the control of the Board who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

## 30. PROCEEDINGS OF THE BOARD OF DIRECTORS

- i. The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.
- ii. The Secretary, as directed by a Director, or any other Director shall, as and when directed by the Chairman or a Director convene a meeting of the Board by giving a notice in writing to every Director in accordance with the provisions of the Act.
- iii. The quorum for a Board meeting shall be as provided in the Act.
- iv. The participation of directors in a meeting of the Board may be either in person or through video conferencing or audio visual means or teleconferencing, as may be prescribed by the Rules or permitted under law. Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes. Each Director shall have one vote. In case of an equality of votes, the Chairman of the Board, if any, shall have a second or casting vote.
- v. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Directors or director may act for the purpose of increasing the number of Directors to that fixed for the quorum, or of summoning a general meeting of the Company, and for no other purpose.
- vi. The Chairman of the Company shall be the Chairman at meetings of the Board. In his absence, the Board may elect a Chairman of its meetings and determine the period for which he is to hold office. If no such Chairman is elected, or if at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the meeting, the Directors present may choose one of their member to be Chairman of the meeting.
- vii. The Board may, subject to the provisions of the Act, delegate any of its powers to Committees consisting of such member or members of its body as it thinks fit.
- viii. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board. The participation of Directors in a meeting of the Committee may be either in person or through video conferencing or audio visual means or teleconferencing, as may be prescribed by the Rules or permitted under law.
- ix. A Committee may elect a Chairman of its meetings unless the Board, while constituting a Committee, has appointed a Chairman of such Committee.



- x. If no such Chairman is elected, or if at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairman of the meeting.
- xi. A Committee may meet and adjourn as it thinks fit. Questions arising at any meeting of a Committee shall be determined by a majority of votes of the members present. Each Committee member shall have one vote. In case of an equality of votes, the Chairman of the Committee shall have a second or casting vote.
- xii. All acts done in any meeting of the Board or of a Committee thereof or by any person acting as a Director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any of them were disqualified or that his or their appointment had terminated, be as valid as if every such Director or such person had been duly appointed and was qualified to be a Director.
- xiii. Save as provided in the Act, a resolution in writing, signed, whether manually or by secure electronic mode, by a majority of the members of the Board or of a Committee thereof, for the time being entitled to receive notice of a meeting of the Board or Committee, shall be valid and effective as if it had been passed at a meeting of the Board or Committee, duly convened and held.

### **31. MINUTES OF BOARD OF DIRECTORS AND COMMITTEE MEETINGS**

- i. The Company shall cause minutes of all proceedings of meetings of its Board of Directors or of committees of the Board, to be entered in books kept for the purpose.
- ii. The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- iii. All appointments of officers made at any time of the meetings aforesaid shall be included in the minutes of the meeting.
- iv. There shall not be included in the minutes, any matter which, in the opinion of the Chairman of the meeting:
  - a. is or could reasonably be regarded as defamatory of any person;
  - b. is irrelevant to the interests of the Company; or
  - c. is detrimental to the interests of the Company.
- v. Any such minutes, if purporting to be signed by the Chairman of the meeting at which the proceedings took place or by the Chairman of the next succeeding meeting, shall be evidence of the proceedings.
- vi. Where the minutes have been kept in accordance with clause (i) hereof; then until the contrary is proved, the meeting shall be deemed to have been duly called and held and all proceedings thereat to have duly taken place and the resolution passed by circulation, other permitted means shall be construed to have been duly passed, and in particular all appointments of Directors, Key Managerial Personnel, Auditors or Company Secretary in practice, made at the meeting shall be deemed to be valid, including the matters that are required to be transacted at a meeting of the Board as specified in the said Act.

### **32. CHIEF EXECUTIVE OFFICER, MANAGER, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER**

- i. Subject to the provisions of the Act,—

A chief executive officer, manager, company secretary and chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any chief executive officer, manager, company secretary and chief financial officer so appointed may be removed by means of a resolution of the Board.

The Board may appoint one or more chief executive officers for its multiple businesses.
- ii. A Director may be appointed as chief executive officer, manager, company secretary or chief financial officer.

### **33. REGISTERS TO BE MAINTAINED BY THE COMPANY**

- i. The Company shall keep and maintain at its registered office all statutory registers and in such manner and containing such particulars as prescribed by the Act and the Rules.
- ii. The registers which as per the Act are open for inspection and copies of annual return shall be available for inspection during 11.00 a.m. to 1.00 p.m. on all working days, other than Saturdays, by the persons entitled thereto on payment, where required, of such fees as may be fixed by the Board but not exceeding the limits prescribed by the Rules. In the event such person conducting inspection of the abovementioned documents requires extracts of the same, the Company may charge fees which shall not exceed Rupees Ten per page or such other limits as may be prescribed under the Act.
- iii. The Company may exercise the powers conferred on it by the Act with regard to the keeping of a foreign register; and the Board may (subject to the provisions of the Act) make and vary such regulations as it may think fit respecting the keeping of any such register.
- iv. The foreign register shall be open for inspection and may be closed and extracts may be taken therefrom and copies thereof may be required, in the same manner, mutatis mutandis, as is applicable to the register of members.
- v. Save as otherwise expressly provided in the Act or these Articles, Registers requiring authentication by the Company may be signed by any key managerial personnel, Director or such other person authorized by the Board and need not be under its Seal.

### **34. POWERS TO APPOINT MANAGING DIRECTOR AND WHOLETIME DIRECTORS**

Subject to the provisions of the Act and of these Articles, the Directors may from time to time appoint one or more persons to be Managing Director/Whole-time Director or Managing Directors, Whole-time Directors of the Company for such term not exceeding five years at a time as they may think fit and may from time to time (subject to the provisions of any contract between him or them) remove from office and appoint another or others in his or their place or places. The Directors may wherever they appoint more than one Managing Directors, designate one or more of them as "Joint Managing Director" or "Joint Managing Directors" or "Deputy Managing Directors" or "Deputy Managing Director" and accordingly, the expression "Managing Director" shall also include and be deemed to include the "Joint Managing Director" or the "Deputy Managing Director" as the case may be.

### **35. MANAGING DIRECTOR WILL NOT BE SUBJECT TO RETIREMENT BY ROTATION**

Subject to the provisions of the Act and of these Articles, a Managing Director shall not while he continues to hold that office, be subject to retirement by rotation but he shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and he shall, ipso facto, and immediately cease to be a Managing Director if he ceases to hold office of Director for any cause. Provided that at any time the number of Directors (including the Managing Director) as are not subject to retirement by rotation shall exceed one-third of the total number of the Directors for time being, then such Managing Director or Managing Directors as the Board of Directors shall from time to time select shall be liable to retirement by rotation to the intent that the Directors not liable to retirement by rotation shall not exceed one-third of the total number of Directors for the time being. A Managing Director who is re-elected as a Director immediately on retirement by rotation shall continue to hold his office of Managing Director and such re-election as Director shall not be deemed to constitute a break in his appointment as Managing Director.

### **36. POWERS AND DUTIES OF MANAGING DIRECTOR AND WHOLE-TIME DIRECTOR**

Subject to the superintendence, control and direction of the Board of Directors the day to day management of the company shall be in the hands of the Managing Director and/or whole-time Directors. The Directors may from time to time entrust to and confer upon a Managing Director and whole-time Director for the time being save as hereafter in this Article provided such of the powers exercisable under their rights by the Directors as they may think fit, and may confer rights by the Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions as they think expedient, and they may, subject to the provisions of the Act and these Articles, confer such powers, either collaterally with or to the exclusion of, and in substitution for, all or any of the powers of the directors in that behalf; and may from time to time revoke, withdraw, alter or vary all or any of such powers.

### **37. SEAL**

The Board of Directors may provide a Common Seal for the Company, and shall have power to destroy the same and substitute or not substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody of the Seal, if any, for the time being. The Seal shall never be used except by the authority of the Board or a Committee of the Board previously given and in presence of any Director of the Company or some other person appointed by the Director for the purpose.

Every Deed or other instrument to which the Seal is required to be affixed shall unless the same is executed by a duly constituted attorney be signed by any Director or the Secretary or such other person(s) as may be duly authorized by the Board or a Committee of the Board for the purpose.

The Company shall not have a Common Seal, if the Board in its sole discretion so decides.

### **38. DIVIDEND**

- i. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board but the Company in general meeting may declare a lesser dividend.
- ii. Subject to the provisions of the Act, the Board may from time to time pay to the members interim dividends of such amount on such class of shares and at such times as it may think fit.
- iii. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applied for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time, think fit.
- iv. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
- v. The Board may retain dividends payable upon shares in respect of which any person is, under the Transmission Clause hereinbefore contained, entitled to become a member, until such person shall become a member in respect of such shares.
- vi. Any dividend, interest or other monies payable in cash in respect of shares may be paid by electronic mode or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
- vii. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

- viii. Payment in any way whatsoever shall be made at the risk of the person entitled to the money paid or to be paid. The Company will not be responsible for a payment which is lost or delayed. The Company will be deemed to having made a payment and received a good discharge for it if a payment using any of the foregoing permissible means is made. Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.
- ix. No dividend shall bear interest against the Company. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Board.

### **39. CAPITALISATION OF PROFITS AND RESERVES**

- i. The Company by ordinary resolution in general meeting may, upon the recommendation of the Board, resolve —
  - a. that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and
  - b. that such sum be accordingly set free for distribution in the manner specified in clause (ii) below amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- ii. The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (iii) below, either in or towards:
  - a. paying up any amounts for the time being unpaid on any shares held by such members respectively;
  - b. paying up in full, unissued shares or other securities of the Company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid;
  - c. partly in the way specified in sub-clause (a) and partly in that specified in sub-clause (b).
- iii. The securities premium account and a capital redemption reserve account or any other permissible reserve account may, be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
- iv. Whenever such a resolution as aforesaid shall have been passed, the Board shall -
  - a. make all appropriations and applications of the amounts resolved to be capitalised thereby, and all allotments and issues of fully paid shares or other securities, if any; and
  - b. generally do all acts and things required to give effect thereto.
- v. The Board shall have power—
  - a. to make such provisions, by the issue of fractional certificates/coupons or by payment in cash or otherwise as it thinks fit, for the case of shares or other securities becoming distributable in fractions; and
  - b. to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up, of any further shares or other securities to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the Company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares. Any agreement made under such authority shall be effective and binding on such members.

#### **40. ACCOUNTS**

- i. The books of account and books and papers of the Company, or any of them, shall be open to the inspection of Directors in accordance with the applicable provisions of the Act and the Rules.
- ii. No member (not being a Director) shall have any right of inspecting any books of account or books and papers or documents of the Company except as conferred by law or authorised by the Board.

#### **41. WINDING UP**

- i. Subject to the applicable provisions of the Act and the Rules made thereunder –
  - a. If the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.
  - b. For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- ii. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

#### **42. INDEMNITY AND INSURANCE**

- i. Subject to the provisions of the Act, every director, managing director, whole-time director, manager, company secretary and other officer of the Company shall be indemnified by the Company out of the funds of the Company, to pay all costs, losses and expenses (including travelling expense) which such director, manager, company secretary and officer may incur or become liable for by reason of any contract entered into or act or deed done by him in his capacity as such director, manager, company secretary or officer or in any way in the discharge of his duties in such capacity including expenses.
- ii. Subject as aforesaid, every Director, Managing Director, manager, company secretary or other officer of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under applicable provisions of the Act in which relief is given to him by the Court.
- iii. The Company may take and maintain any insurance as the Board may think fit on behalf of its present and/or former directors and key managerial personnel for indemnifying all or any of them against any liability for any acts in relation to the Company for which they may be liable but have acted honestly and reasonably.

#### **43. SERVICE OF NOTICE**

Document or notice may be served or sent by the Company on or to any member either personally or by sending it by courier, registered post, speed post or leaving it at its registered office or by means of electronic mode or other mode as may be prescribed under the Act at his registered address or if he has no registered address in India, to the address, if any, within India supplied by him to the Company for serving documents or notices to him.

#### 44. SECRECY

- i. Every Director, Manager, Auditor, treasurer, trustee, member of a committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, observe strict secrecy respecting all customers and the state of the accounts with individuals and in matters relating thereto, and shall not reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by a Court of Law and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
- ii. No member shall be entitled to visit or inspect the Company's works without the permission of the Directors or the Managing Director or to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the directors or the Managing Directors it will be inexpedient in the interest of the members of the Company to communicate to the public.

We, the several persons whose names, addresses and descriptions are hereunder subscribed, below are desirous of being formed into a Company in pursuance of these Articles of Association and we respectively agree to take the number of shares in the Capital of the Company set opposite to our respective names:

Name, Address, description and occupation of each subscriber	Number of Equity Shares	Signature of Subscriber	Signature of witness, and his name, address, description & occupation
Balvantray Kalyanji Parekh S/o Kalyanji Parekh 15, Usha Kiran 15, M.L. Dahanukar Marg, Bombay 400 026 Business	1 (one)	Sd./-	Sd. /- PRIYKANT CHHOTALAL PATEL S/o CHHOTALAL PATEL 131, HASSA MAHAL, COLABA,  CUFFE PARADE BOMBAY 400 005 CHARTERED ACCOUNTANT
Sushilkumar Kalyanji Parekh S/o Kalyanji Parekh Bhaveshwar Darshan Altamount Road Bombay 400 026 Business	1 (one)	Sd./-	
Narendrakumar Kalyanji Parekh S/o Kalyanji Parekh Parvati, Sion Bombay 400 022 Business	1 (one)	Sd./-	
Madhukar Balvantray Parekh S/o Kalyanji Parekh Landmark, 17/ 738 Carmichael Road Bombay 400 026 Business	1 (one)	Sd./-	
Himatlal Kalyanji Parekh S/o Kalyanji Parekh Mahavir, Derasar Lane Ghatkopar, Bombay 400 077 Business	1 (one)	Sd./-	
Chimanlal Kalyanji Parekh S/o Kalyanji Parekh 21, Kailas Kiran No. 1 Tilak Road, Ghatkopar, Bombay 400 077 Business	1 (one)	Sd./-	
Ajay Balvantray Parekh S/o Balvantray Parekh 15, Usha Kiran, M.L. Dahanukar Marg, Bombay 400 026 Business	1 (one)	Sd./-	
Total	7 (Seven)		

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY**

**ORDINARY ORIGINAL CIVIL JURISDICTION**

**COMPANY PETITION NO. 804 OF 2007**

**IN**

**COMPANY APPLICATION NO. 788 OF 2007**

IN THE MATTER OF COMPANIES  
ACT, 1956

AND

IN THE MATTER OF SECTIONS 78,  
100, 391, 392, 393 AND 394 OF THE  
COMPANIES ACT, 1956

VINYL CHEMICAL (INDIA) LIMITED } ... **TRANSFEROR COMPANY**

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY**

**ORDINARY ORIGINAL CIVIL JURISDICTION**

**COMPANY PETITION NO. 805 OF 2007**

**IN**

**COMPANY APPLICATION NO. 789 OF 2007**

IN THE MATTER OF COMPANIES  
ACT, 1956

AND

IN THE MATTER OF SECTIONS 391,  
392, 393 AND 394 OF THE  
COMPANIES ACT, 1956

PIDILITE INDUSTRIES LIMITED } ... **TRANSFeree COMPANY**

Senior Counsel Mr. Virag Tulzapurkar alongwith Mr. Kunal Vajani and Ms. Vedangi Tulzapurkar i/b. M/s. Wadia Ghandy & Co., Advocates for the Transferor and Transferee Company

Mr. C.J. Joy alongwith Mr. N. D. Sharma and Mr. S. K. Mohapatra for the Regional Director in both the Petitions.

**CORAM : A. M. Khanwilkar J.**

**Date: December 14, 2007**

**PC:**

1. Heard Counsel for parties.
2. The sanction of the Court is sought under the Sections 391 to 394 of the Companies Act, 1956 in respect of Scheme of Arrangement for the demerger of the Vinyl Acetate Monomer Manufacturing Unit of Vinyl Chemicals (India) Limited, the Transferor Company into Pidilite Industries Limited, the Transferee Company.
3. Counsel appearing on behalf of the Transferor and Transferee Company has stated that they have complied with all the requirements as per directions of the Court and they have filed necessary affidavits of compliance in this Hon'ble Court.
4. The Regional Director has filed an affidavit stating therein that the scheme provides for increase of the authorised share capital of the Transferee Company and therefore the



Transferee Company be directed to comply with the provisions of Sections 94 and 97 read with Schedule X of the Companies Act, 1956 and file the necessary forms with the Registrar of Companies after payment of necessary fees and stamp duty, as applicable. The Regional director has further stated that the scheme is not prejudicial to the interest of creditors and shareholders and public. The Transferee Company however undertakes to comply with the provisions of Sections 94 and 97 read with Schedule X of the Companies Act, 1956 and file the necessary forms with the Registrar of Companies after payment of necessary fees and stamp duty, if applicable.

5. Upon perusal of the entire material on record, the Scheme appears to be fair and reasonable and is not violative of any provisions of law and is not contrary to any public policy. None of the parties concerned have come forward to oppose the Scheme.

6. Clause 12 of the Scheme provides that in consideration of the demerger the Transferee Company shall allot its shares to the shareholders of the Transferor Company in the manner specified therein. It also provides that at the time of allotment in the event there being any fraction which is less than half, the same shall be ignored and in the event the fraction exceeding half, the same shall be considered as one full share. It is clarified that in the event the fraction being exactly half the same shall be considered as one full share.

7. In spite of publication of the hearing of this Petition, no objection has been filed nor has any objection come forward to oppose this Petition. Accordingly, Petition is made absolute in terms of prayer clauses (a), (b) and (c).

8. The registration by the Registrar of Companies, Mumbai, of this Order, be published once each in "Free Press Journal" in English and "Maharashtra Times" in Marathi and also in The Maharashtra Government Gazette.

9. The Transferee Company to lodge copy of this Order and the Scheme with the concerned Superintendent of Stamps for the purpose of adjudication of stamp duty payable, if any, on the same within 30 days of obtaining the authenticated and/or certified copy of this Order.

10. The Transferor and the Transferee Company to pay costs of Rs. 5,000/- each to the "Pay & Accounts Officer, Ministry of Corporate Affairs". Costs to be paid within 4 weeks from today.

11. Filing and issuance of the drawn up is dispensed with. All concerned authorities to act on a copy of this Order duly authenticated by the Company Registrar High Court, Bombay.

Sd/-  
**(A. M.**

**Khanwilkar J.)**

**SCHEME OF ARRANGEMENT**  
**UNDER SECTION 391 READ WITH SECTION 394 OF**  
**THE COMPANIES ACT, 1956**

BETWEEN

<b>Vinyl Chemicals (India) Limited</b>	...	<b>Demerged Company / Vinyl</b>
<b>Pidilite Industries Limited</b>	...	<b>Resulting Company / Pidilite</b>

**and**

their respective shareholders and creditors

**PART I - INTRODUCTION AND DEFINITIONS**

**1. INTRODUCTION :**

Vinyl was promoted by Pidilite as its principal promoter for manufacturing a critical item of raw material required by Pidilite in its activities, viz. Vinyl Acetate Monomer (VAM), which was done by Vinyl by setting up a manufacturing undertaking at Mahad in the State of Maharashtra. Over a period of time, Pidilite's strategic investment in Vinyl has been fruitful in that VAM manufactured at Mahad by Vinyl was purchased by Pidilite on an on-going basis which met with a very significant part of Pidilite's requirement for VAM. With the opening up of global frontiers, the availability of VAM by way of imports from other countries also opened up, and, because of the lower prices of VAM imported into India, a continuous pressure was built up on Vinyl to reduce its prices for VAM to be supplied, which fact, coupled with the phenomenal increases in the prices of petrochemicals (which are the essential input for the manufacture of VAM), have resulted in Vinyl suffering losses in five consecutive quarters. It may well be that the foregoing mismatch between the cost of manufacture and the realizable price for the finished products may be a cyclical or reversible phenomenon. In any event, Pidilite is critically interested in ensuring that supplies of VAM are available to it without having to depend on external agencies which, under unfavourable circumstances, can adversely affect the operations and profits of Pidilite. Furthermore, such continuous losses in Vinyl have resulted in higher indebtedness of Vinyl to loan creditors, the borrowing cost in respect of which has further accentuated the unfavourable business environment for VAM. Given Pidilite's critical need for VAM on a continuous and sustained basis without being subject to vagaries of outside or external supplies, it is advisable that, instead of Vinyl's manufacturing plant being owned by Vinyl, as hitherto, the same becomes part of Pidilite's operations, so to subserve the business objectives of Pidilite, which critically requires continuous and assured supplies of VAM. Accordingly, the scheme of arrangement in the nature of a demerger has been mooted by Vinyl and Pidilite so as to subserve the foregoing objectives and also to benefit the shareholders and other stake holders of Vinyl and Pidilite.

The Scheme of Arrangement amongst Vinyl and Pidilite and their respective shareholders and creditors provides for transfer by way of a demerger of the Undertaking (as defined herein) from Vinyl and its vesting in Pidilite, pursuant to sections 391 to 394 and other relevant provisions of the Companies Act, 1956 in the manner provided for in the Scheme of Arrangement.

The Scheme of Arrangement has for ease of reference, been divided into the following parts:-

- (a) Part I, which deals with the introduction of the Scheme, the definitions of the expressions used in this Scheme and the share capital of Vinyl and Pidilite;
- (b) Part II, which deals with the demerger of the Undertaking;
- (c) Part III, which deals with the consideration for the demerger by way of issue of shares to the shareholders of Vinyl and the accounting treatment in the books of Vinyl and Pidilite;
- (d) Part IV, which deals with the Remaining Business;

(e) Part V, which deals with the General Terms and Conditions of this Scheme.

The Board of Directors of both Vinyl and Pidilite are of the opinion that the Scheme of Arrangement with effect from the Appointed Date (as defined herein), is in the interest of shareholders, creditors and employees of both the companies and would facilitate better economics of scale, more productive and optimum utilisation of various resources and contribute in furthering and fulfilling objectives of these companies.

The Scheme of Arrangement also makes provision for various other matters consequential or related thereto and otherwise integrally connected therewith.

## 2. DEFINITIONS :

In this Scheme, unless repugnant to or inconsistent with the meaning or context thereof, the following expressions shall have the meanings as ascribed to them:

(a) **“Act”** means the Companies Act, 1956 including any statutory modifications, re-enactments or amendments thereof from time to time;

(b) **“Appointed Date”** means the 1st day of April, 2007 or such other date as may be approved by the High Court;

(c) **“Book Value”** means the value of the assets and specified liabilities of the Undertaking as appearing in books of accounts of Vinyl, at the close of business hours of the day immediately preceding the Appointed Date;

(d) **“Effective Date”** means the last of the dates on which the conditions, sanctions, approvals or orders specified in Clauses 21, 23 and 24 of this Scheme have been fulfilled obtained or waived. References in this Scheme of the date of **“coming into effect of this Scheme”** or **“effectiveness of this Scheme”** shall mean the Effective Date;

(e) **“High Court”** means the Hon'ble High Court of Judicature at Bombay and shall include the National Company Law Tribunal, if applicable, to which this Scheme of Arrangement in its present form is submitted for sanctioning under Sections 391 to 394 of the Act.

(f) **“Pidilite”** or **“Resulting Company”** means Pidilite Industries Limited, a company incorporated under the provisions of the Companies, Act, 1956 and having its registered office at 7th Floor, Regent Chambers, Jamnalal Bajaj Marg, 208, Nariman Point, Mumbai 400 021;

(g) **“Record Date”** means the date to be fixed by the Board of Directors or a Committee thereof constituted by the Board of Directors of Vinyl in consultation with Pidilite for the purposes of reckoning names of the equity shareholders of Vinyl, who shall be entitled to receive shares of Pidilite upon coming into effect of this Scheme as specified in Clause 12 of this Scheme;

(h) **“Remaining Business”** means all the businesses of the Vinyl other than the Undertaking.

(i) **“Scheme of Arrangement”** or **“Scheme”** or **“this Scheme”** or **“the Scheme”** means this Scheme of Arrangement made under section 391 to 394 of the Act amongst Vinyl, Pidilite, their respective shareholders and creditors, as amended / modified from time to time;

(j) **“Scheduled Bank”** means a Bank defined as a Scheduled Bank in India under the Reserve Bank of India Act, 1934;

(k) **“Small Shareholder”** means a member holding less than 501 (five hundred and one) equity shares in Vinyl;

(l) **“Specified Employees”** means:-

(i) those permanent employees of Vinyl, employed as on the Effective Date to be substantially engaged in or in relation to the Undertaking; and

(ii) those permanent employees of Vinyl, employed as on the Effective Date and as may be determined by the Board of Directors of Vinyl, to be substantially engaged in or in relation to the Undertaking.

(m) **“Specified Liabilities” means :**

(i) all present and future liabilities (including contingent liabilities as on the Appointed Date, which arise out of the activities or operations of the Undertaking;

(ii) the specific borrowings as on the Appointed Date that are raised or incurred and utilized solely for the activities or operations of the Undertaking;

(iii) In cases other than those referred to in sub-clauses (i) or (ii) hereof, so much of the amounts of general or multipurpose borrowings (if any) of Vinyl as on the Appointed Date as stand in the same proportion which the book value of the assets transferred hereunder bears to the total book value of the assets of Vinyl.

(n) **“Undertaking”** shall mean the Vinyl Acetate Monomer (VAM) manufacturing unit of Vinyl, which is a part of Vinyl viz. a division of business activity of Vinyl other than the Remaining Business and shall mean and include (without limitation):

(i) all assets wherever situated, whether moveable or otherwise, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible present or contingent including all plant and machinery, electricals, offices, vehicles, capital work-in-progress, furniture, fixtures, office equipment, appliances, accessories, stock-in-trade, debtors appertaining or relating to the Undertaking;

(ii) the Specified Liabilities relating to the Undertaking;

(iii) all permits, quotas, rights (including rights under any, contracts, government contracts, concession agreement, non-possessory contractual rights or any other contracts), entitlements, industrial and other licenses, municipal permissions, MIDC permissions, approvals, concepts, patents, copyrights, all other intellectual property and/or interest (whether vested, contingent or otherwise) in projects undertaken by the Undertaking, either solely or jointly with other parties, cash balances, benefit of any deposits, financial assets, corporate guarantees issued in relation to the Undertaking by Vinyl and benefits of any bank guarantees issued in relation to the undertaking for the benefit of Vinyl, funds belonging to or proposed to be utilized for Vinyl, privileges, all other claims, rights and benefits (including under any power of attorney(s) issued, by Vinyl in relation to the Undertaking or any power of attorney(s) issued in favour of Vinyl or from or by virtue of any proceeding before a legal, quasi judicial authority or any other statutory authority to which Vinyl was a party to) powers and facilities of every kind, nature and description whatsoever, in connection with or relating to the Undertaking

(iv) benefits of agreements, contracts and arrangements, powers, authorities, permits, allotments, approvals, consents, privileges, liberties, advantages, easements and all the rights, title, interest, goodwill, benefit and advantage, benefits of all agreements, subsidies, incentives, grants, tax credits (including but not limited to credits in respect of income tax, sales tax, value added tax, turnover tax, service tax, fringe benefit tax, etc.) and other claims and powers, of whatsoever nature and wheresoever situated belonging to or in the possession of or granted in favour or enjoyed by or relating to the Undertaking;

(v) all records, files, papers, engineering and process information, computer programmes, drawings, manuals, data, catalogues, quotations, sales and advertising materials, list of present and former customers and suppliers, customer credit information and other records, whether in physical or in electronic form in connection with or relating to the Undertaking;

(vi) the Specified Employees relating to the Undertaking ;

(vii) all advances and/or earnest monies and/or security deposits paid by Vinyl in connection with or relating to the Undertaking.

Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Undertaking or whether it arises out of the activities or operations of the Undertakings shall be decided by the Board of Directors of Vinyl and Pidilite by mutual agreement.

(o) **Vinyl**” or **“Demerged Company”** means Vinyl Chemicals (India) Limited, a company incorporated under the Companies Act, 1956 and having its registered office at 7th Floor, Regent Chambers, Jamnalal Bajaj Marg, 208, Nariman Point, Mumbai 400 021;

**3. DATE WHEN THE SCHEME COMES INTO OPERATION :**

Though this Scheme shall become effective from the Effective Date, the provisions of this Scheme shall be applicable and come into operation from the Appointed Date.

**4. SHARE CAPITAL :**

(a) The authorised, issued, subscribed and paid up share capital of Vinyl is as under:

(As on April 15, 2007)

<b>Particulars</b>	<b>Amount in Rs.</b>
<b>Authorised :</b>	
2,00,00,000 Equity Shares of Rs. 10/- each	20,00,00,000/-
<b>Issued :</b>	
1,83,43,984 Equity Shares of Rs. 10/- each	18,34,39,840/-
<b>Subscribed and paid-up :</b>	
1,83,37,111 Equity Shares of Rs. 10/- each	18,33,71,110/-
<b>Add:</b> Amount received on forfeited shares	42,100/-
<b>Total</b>	<b>18,34,13,210/-</b>

(b) The Authorised, Issued, Subscribed and Paid up Share Capital of Pidilite is as under:

(As on April 15, 2007)

<b>Particulars</b>	<b>Amount in Rs.</b>
<b>Authorised :</b>	
27,50,00,000 Equity Shares of Re. 1/- each	27,50,00,000/-
2,50,00,000 Unclassified Shares of Re. 1/- each	2,50,00,000/-
<b>Issued, subscribed and paid-up :</b>	
25,23,94,000 Equity Shares of Re. 1/- each fully paid-up	25,23,94,000/-
<b>Add:</b> Bonus Share Suspense Account	6,000/-
<b>Total</b>	<b>25,24,00,000/-</b>

**PART II - DEMERGER**

5. (a) With effect from the Appointed Date, the Undertaking shall, pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act, without any further act, deed, matter or thing (save and except as provided in sub clauses (b) to (d) below), be and the same shall stand transferred to and vested in or be deemed to be transferred to and vested in Pidilite so as to become the property of Pidilite with effect from the Appointed Date, free from all encumbrances, but subject to the charges existing thereon on the Appointed Date in favour of the financial agencies and/ or the concerned secured creditors of Vinyl if and only if such charges relate to or are appertaining to the liabilities and debts of the Undertaking. The assets and the Specified Liabilities pertaining to the Undertaking shall be transferred at Book Value

(b) All the moveables including cash in hand, if any, of the Undertaking capable of passing by manual delivery, shall be so delivered or endorsed as the case may be, to Pidilite;

(c) In respect of movables of the Undertaking other than those specified in sub-clause (b) above, including sundry debtors, outstanding loans, and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any,

with government, semi-government, local and other authorities and bodies and customers and other persons pertaining to the Undertaking, the following modus operandi for intimating to third parties shall to the extent possible be followed:

(i) Vinyl may give notice in such form as it may deem fit and proper, to each person, party, debtor, lonee or depositee as the case may be, belonging to or related to the Undertaking, that pursuant to the High Court having sanctioned the Scheme, the said debt, loan, advances, bank balances or deposits be paid or made good or held on account of Pidilite as the person entitled thereto to the end and intent that the right of Vinyl to recover or realise the same stands extinguished and that appropriate entry should be passed in its books to record the aforesaid change;

(ii) Pidilite may also give notice in such form as it may deem fit and proper to each person, debtor, lonee or depositee, as the case may be, belonging to or related to the Undertaking, that pursuant to the High Court having sanctioned the Scheme, the said debt, loan or deposit be paid or made good or held on account of Pidilite and that the right of Vinyl to recover or realize the same stands extinguished.

(d) In relation to other assets belonging to Undertaking, which require separate documents for transfer, or which Vinyl and/or Pidilite otherwise desire to be transferred separately, Vinyl and Pidilite each will execute such deeds, documents or such other instruments or writings or create evidence, if any, as may be necessary.

(e) All assets, estate, rights title, interest and authorities acquired by Vinyl after the Appointed Date and prior to the Effective Date for operation of the Undertaking shall also stand transferred to and vested in Pidilite upon the coming into effect of this Scheme.

(f) Without prejudice to the other provisions of this Scheme, Pidilite may, at any time, after the Scheme comes into effect in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds, confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which Vinyl is a party or any writings as may be necessary to be executed merely in order to give formal effect to the above provisions. Vinyl will, if necessary, also be a party to the above. Pidilite shall, under the provisions of this Scheme, be deemed to be authorized to execute any such writings on behalf of Vinyl and to carry out or perform all such formalities or compliances referred to above on the part of Vinyl to be carried out or performed.

(g) For avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that:-

(i) all consents, permissions, certificate, authorities given by, issued to or executed in favour of Vinyl in respect of the Undertaking shall stand transferred to and be available for Pidilite as if the same were originally given by, issued to or executed in favour of or for Pidilite, and for the business of the Undertaking and the rights and benefits under the same shall be available to Pidilite;

(ii) if any of the assets (rights, title, interest in or authorities relating to such or, any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Undertaking which Vinyl owns or to which Vinyl is a party to), cannot be transferred to Pidilite for any reason whatsoever, Vinyl shall hold such assets or contracts, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust and for the benefit of Pidilite, until the same are transferred and vested in Pidilite;

(iii) the Remaining Business shall continue to be owned or owed by Vinyl.

**6.** All legal or other proceedings by or against Vinyl pending on the Effective Date and relating to the Undertaking, including property rights, powers, liabilities, obligations and duties of Vinyl shall continue and be enforced by or against Pidilite in the same manner and to the same extent as it would or might have been continued and enforced by or against Vinyl. Any other legal or other proceedings relating to Vinyl pending on the Effective Date shall continue and remain enforced by or against Vinyl.

**7.** With effect from the Appointed Date and upto and including the Effective Date :

(a) Vinyl shall be deemed to have been carrying on and shall carry on all business and activities relating to the Undertaking and stand possessed of the properties to be transferred, for and on account of and in trust for Pidilite including but without limitation,

manufacturing and marketing activities, and payment of advance income tax, sales tax, excise and other statutory levies, etc.

(b) all profits accruing to Vinyl or losses arising or incurred by it relating to the Undertaking shall, for all purposes, be treated as the profits or as the case may be losses, of Pidilite.

**8.** (a) Vinyl hereby undertakes, from the Appointed Date upto and including the Effective Date to carry on the business of the Undertaking with proper prudence and not to alienate or otherwise deal with or dispose of the Undertaking or any part thereof otherwise than in the ordinary course of the business of the Undertaking.

(b) Pidilite shall be entitled, pending the sanction of the Scheme, to apply to the Central/State Governments and all other agencies, departments and authorities concerned as are necessary under any law, for such consents, approvals and sanctions, which Pidilite may require to own and operate the Undertaking.

**9.** (a) Pidilite undertakes to engage, on and from the Effective Date, all Specified Employees of Vinyl desirous of joining Pidilite on the same terms and conditions on which they are engaged as on the Effective Date by Vinyl without any interruption of service as a result of the transfer or on terms and conditions not less favorable than those subsisting with reference to Vinyl as on the said date, as if they were in continuous service. Pidilite agrees that the services of all such employees with Vinyl as on the said date, shall be considered for the purpose of all retirement benefits to which, they may be entitled to in Vinyl on the Effective Date. Pidilite further agrees that for the purpose of payment of any retrenchment compensation, such past services with Vinyl shall also be taken into account.

(b) The accounts of the employees of Vinyl specified in sub-clause (a) above, relating to the superannuation fund, provident fund, gratuity fund and other funds including any surplus in such funds shall be identified, determined and transferred to the trustees of the respective funds of Pidilite.

**10.** Except as provided in the Clauses above, Pidilite shall accept all acts, deeds and things relating to the Undertaking done and executed by and/or on behalf of Vinyl on or after the Appointed Date as acts, deeds and things done and executed by and/or on behalf of Pidilite

**11.** Subject to other provisions of this Scheme, all contracts, deeds, bonds, agreements, insurance policies and other instruments of whatsoever nature relating to the Undertaking, to which Vinyl is a party, subsisting or having effect on or before the Effective date shall be in full force and effect against or in favour of Pidilite and may be enforced as fully and effectually, as if, instead of Vinyl, Pidilite had at all material times been a party thereto. All contracts, deeds, bonds, agreements, insurance policies and other instruments of whatsoever nature other than those relating to the Undertaking to which Vinyl is a party subsisting or having effect on or before the Effective Date shall be in full force and effect against or in favour of Vinyl.

### PART III - ISSUE OF SHARES BY PIDILITE

**12.** In consideration of the demerger of the Undertaking from Vinyl and consequent vesting thereof into Pidilite, Pidilite shall allot its shares to the shareholders of Vinyl in the manner specified below:

(a) In so far as it relates to the shares already held by Pidilite in Vinyl on the Record Date are concerned, no allotment of shares shall be made by Pidilite.

(b) In so far as Small Shareholders are concerned, each of them shall be allotted 1 (one) 6% Cumulative Redeemable Preference Share of Rs. 10/- (Rupees Ten only) each treated as fully paid in Pidilite against every 1 (one) fully paid up equity share of Rs. 10/- (Rupees Ten only) each held by it in Vinyl. Such Preference Shares being redeemable by Pidilite not later than the expiry of a period of 18 (eighteen) months from the date on which such Preference Share is allotted, unless the Small Shareholder exercises an option by filling up and signing the form set out at Annexure I to this Scheme and submitting the same to Pidilite within two weeks from the Record Date, for being allotted 1 (one) equity share of the face and paid-up value of Re. 1/- (Rupee One only) each in Pidilite against every 12 (twelve) fully paid up equity shares of Rs. 10/- (Rupees Ten only) each held by it in Vinyl, with any fraction which is less than half being ignored and a fraction exceeding half being considered as one full share in Pidilite,

(c) In so far as other shareholders are concerned each of them shall be allotted 1 (one) equity share of the face and paid-up value of Re. 1/- (Rupee one only) each in Pidilite against every 12 (twelve) fully paid up equity shares of Rs. 10/- each held by him in Vinyl, with any fraction which is less than half being ignored and a fraction exceeding half being considered as one full share in Pidilite,

**13.** (a) Upon the allotment of shares as specified in Clause 12 hereof, the issued, subscribed and paid up share capital of Vinyl shall stand reduced from the present sum of Rs. 18,33,71,110/- (presently divided into 1,83,37,111 fully paid equity shares of Rs. 10/- each) to Rs. 1,83,37,111/- comprising 1,83,37,111 equity shares of Re. 1/- each fully paid and the amount of such reduction shall be dealt with in accordance with the provisions specified in Clause 18 hereof.

(b) As a sequel to such reduction in the issued; subscribed and paid up share capital of Vinyl, Vinyl's Authorised share capital shall stand reduced by the amount of such reduction, the reduced share capital of Vinyl also having the par value of Re. 1/- (Rupee one only) each.

(c) Concurrently with the reduction in the Authorised share capital of Vinyl as aforesaid, Pidilite's Authorised share capital shall stand increased by the amount of reduction specified in sub-clause (b) hereof, the increased number of shares of Pidilite also having the par value of Re. 1/- (Rupee One only) each.

(d) The Memorandum and Articles of Association of Vinyl as also Pidilite shall thereupon stand amended or altered so as to reflect therein the revised Authorised share capital figures as aforesaid.

**14.** The equity shares to be issued to the shareholders of Vinyl pursuant to the Scheme shall rank for dividend, voting rights and in all other respect pari passu with the existing equity shares of Pidilite.

**15.** The equity shares to be issued by Pidilite pursuant to the Clause 12 above shall be issued in dematerialised form by Pidilite, unless otherwise notified in writing by the shareholders of Vinyl to Pidilite on or before such date as may be determined by the Board of Directors of Vinyl or a committee thereof. In the event of Pidilite not receiving such notice from any of members of Vinyl, the equity shares shall be issued to the members of Vinyl in a dematerialised form provided however, that the members of Vinyl shall have an account with a depository participant and shall have provided details thereof and such other confirmations as may be required to Pidilite. In the event of Pidilite receiving a notice from any member that the equity shares are to be issued in physical form or if any member does not provide the requisite details relating to his / her / its accounts with a depository participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of Pidilite, then Pidilite shall be entitled to issue equity shares in physical form to such member or members.

**16.** Equity shares of Pidilite issued in terms of Clause 12 of this Scheme will be listed and/or admitted to trading on the Bombay Stock Exchange and National Stock Exchange, being the stock exchanges where the shares of Pidilite are presently listed and traded. Pidilite shall enter into such arrangements and give such 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 Exchanges. On such formalities being fulfilled the said Stock Exchanges shall list and/or admit such equity shares also for the purpose of trading.

**17.** Soon after the Effective Date, Vinyl shall use its best endeavours to ensure that the equity shares in Vinyl continue to enjoy listing on a recognized Stock Exchange and if, despite such endeavours, such continued listing cannot be procured within a period of 24 (Twenty-four) months from the Effective Date, Pidilite shall buy over all the then issued and paid up shares of Vinyl from all shareholders other than Pidilite at the paid-up value and such buying of Vinyl's shares by Pidilite shall not require any offer and acceptance and the same shall be effectuated by Pidilite appointing a Scheduled Bank to do all of the following:

17.1 'Receiving the requisite sum from Pidilite and keeping it in a separate, earmarked account styled as "VINYL SHARE PURCHASE ACCOUNT";

17.2 Sending to each shareholder of Vinyl (other than Pidilite) as on the date on which such period of twenty-four months expires a banker's cheque for the purchase price of shares computed as aforesaid held by each shareholder;



17.3 Handing over any amount that may remain uncollected or uncleared within twelve months from the date on which the foregoing account was opened to the credit of Investor Education and Protection Fund specified in Section 205-C of the Companies Act, 1956.

Upon the above being done, the shares of the foregoing shareholders of Vinyl shall be deemed to have been purchased by Pidilite without any further act or deed and the relative share capital shall stand cancelled and/or extinguished without any further or other act or deed.

**18.** Upon the Scheme coming into effect, the following shall be the accounting treatment given to the vesting of the Undertaking in Pidilite, share capital reduction as specified in Clause 13 and the allotment of shares to the shareholders of Vinyl in terms of Clause 12 of the Scheme and other related aspects :

18.1 Pidilite shall deal with the foregoing issues in so far as they are relevant to it as under:-

18.1.1 The assets and liabilities comprised in the Undertaking that are the subject matter of vesting in Pidilite under the Scheme shall be recorded in the books of Pidilite at Book Value.

18.1.2 The excess of the values of assets of Vinyl over the amounts of its liabilities shall, in the first instance be credited in the books of Pidilite to an account styled as "Demerger Suspense Account".

18.1.3 The carrying value of Pidilite's investment in the equity shares of Vinyl shall first be reduced so as to result in the carrying value of such investments to be a sum representing 10 % of the earlier carrying value and the amount of such reduction in the carrying value shall be debited to the Demerger Suspense Account.

18.1.4 If any loss on impairment in respect of the Undertaking needs to be recognised by Pidilite in compliance with AS-28 ("Impairment of Assets") issued by the Institute of Chartered Accountants of India, the same shall be debited to the Demerger Suspense Account set up in terms of Clause 18.1.2 hereof and not debited or charged to the Profit and Loss Account of Pidilite.

18.1.5 The paid up value of shares issued and allotted by Pidilite to the shareholders of Vinyl in terms of Clause 12 hereof shall be transferred or utilised from out of the foregoing Demerger Suspense Account.

18.1.6 If the result of the foregoing is a credit balance remaining in the Demerger Suspense Account, the same shall be credited to the General Reserve Account of Pidilite and if such result is a debit balance in the Demerger Suspense Account, the same shall be debited to the General Reserve Account appearing in the books of Pidilite as on the Appointed Date.

18.2 Vinyl shall record the foregoing vesting of the Undertaking etc., pursuant to the Scheme as under:

18.2.1 The book values of the assets comprised in the Undertaking shall be transferred to the debit of an account styled as "Reconstruction Adjustment Account".

18.2.2 The book values of the liabilities comprised in the Undertaking shall be transferred to the credit of the foregoing Reconstruction Adjustment Account.

18.2.3 The amount of reduction in Vinyl's Share Capital in terms of Clause 13 hereof shall be credited to the foregoing Reconstruction Adjustment Account.

18.2.4 If any balance remains in the Reconstruction Adjustment Account, the same shall be debited to the Securities Premium Account or, as the case may be, credited to the General Reserve Account appearing in the books of Vinyl on the Appointed Date.

**19.** The application and consequential reduction of the share capital and Securities Premium Account, as above, shall be effected as an integral part of the Scheme itself and shall be deemed to be in accordance with the provisions of Sections 78, 100, 102, 103 of the Act, as the same does not involve either diminution of liability in respect of unpaid share

capital or payment to any shareholder of any paid – up share capital. The order of the High Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction without imposing a condition of Vinyl or Pidilite to add to its name the words “and reduced”. The provisions of Section 101 of the Act will not be applicable.

#### PART IV - REMAINING BUSINESS TO CONTINUE WITH VINYL

**20.** (a) The Remaining Business shall continue to belong to and be vested in and be managed by Vinyl.

(b) With effect from the Appointed Date and upto and including the Effective Date:

(i) Vinyl shall carry on and shall be deemed to have been carrying on all business and activities relating to the Remaining Business for and on its own behalf;

(ii) all profits accruing to Vinyl 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 Vinyl; and

(iii) all assets and properties acquired by Vinyl in relation to the Remaining Business on or after the Appointed Date shall belong to and continue to remain vested in Vinyl.

#### PART V – GENERAL TERMS AND CONDITIONS

##### **21. APPLICATIONS TO THE HIGH COURT :**

(a) Vinyl and Pidilite shall, with all reasonable dispatch, make applications to the High Court under Sections 391 of the Act, seeking orders for dispensing with or convening as the case may be, the holding and conducting of the meetings of the respective classes of the members and/or creditors of Vinyl and Pidilite as may be directed by the High Court.

(b) On the Scheme being agreed to by the requisite majorities of the classes of the members and/or creditors of Vinyl and Pidilite as directed by the High Court, Vinyl and Pidilite shall respectively with reasonable dispatch, apply to the High Court for sanctioning the Scheme of Arrangement under Sections 391 and 394 of the Act, and for an order or orders as the High Court may deem fit for carrying this Scheme into effect.

##### **22. MODIFICATIONS / AMENDMENTS TO THE SCHEME :**

Vinyl (by its Directors) and Pidilite (by its Directors) may, in their full and absolute discretion, assent to any alterations or modifications in this Scheme which the Court may deem fit to approve or impose and may give such directions as they may consider necessary to settle any questions or difficulty arising under the Scheme or in regard to its implementation or in any matter connected therewith (including any question or difficulty arising in connection with any deceased or insolvent shareholder of the respective Companies). In the event that any conditions are imposed by the said High Court which Vinyl or Pidilite find unacceptable for any reason whatsoever then Vinyl and/or Pidilite shall be entitled to withdraw from the Scheme in which event no rights and liabilities whatsoever shall accrue to or be incurred inter se to or by the parties or any of them.

##### **23. CONDITIONALITY OF SCHEME :**

The Scheme is conditional upon and subject to:

(i) The Scheme being agreed to by the respective requisite majorities of the various classes of members and creditors (where applicable) of Vinyl and Pidilite as required under the Act and the requisite order or orders of the High Court referred to in Clause 21 hereof being obtained;

(ii) The sanction of the High Court under Sections 391 and 394 of the Act, being obtained;

(iii) The requisite sanctions or approvals including but not limited to in-principle approvals, sanctions of any governmental or regulatory authority, as may be required by law in respect of the Scheme being obtained; ;

(iv) the certified copies of the orders of the High Court referred to in Clauses (ii) above being filed with the Registrar of Companies, Maharashtra; and

(v) Such other sanctions and approvals as may be required by law in respect of the Scheme being obtained.

**24.** This Scheme although to come into operation from the Appointed Date shall not become effective until the last of the following dates, namely:

(a) the date on which the last of the aforesaid consents, approvals, permissions, resolutions and orders as mentioned in Clause 21 shall be obtained or passed; or

(b) the date on which all necessary certified copies of orders under Sections 391 to 394 of the Act shall be duly filed with the Registrars of Companies, Maharashtra.

The last of such dates shall be the "Effective Date" for the purpose of this Scheme.

**25.** All costs, charges and expenses including stamp duty, if any and registration fee of any deed, in relation to or in connection with negotiations leading upto the Scheme and of carrying out and implementing the terms and provisions of this Scheme and incidental to the completion of the Scheme shall be borne and paid by Pidilite and shall be treated as costs relating to the demerger.

**26. REVOCATION OF THE SCHEME :**

In the event of this Scheme failing to take effect finally before 31<sup>st</sup> March, 2008, or within such further period or periods as may be decided by Vinyl (by its Directors), this scheme shall become null and void and in that event no rights and liabilities whatsoever shall accrue to or incurred inter se to or by the Parties or any one of them.

## ANNEXURE I

(Form to be filled up and submitted by a Small Shareholder\* of Vinyl for allotment of equity shares in Pidilite, pursuant to the demerger of the Undertaking into Pidilite)

Date: \_\_\_\_\_

The Board of Directors,  
Pidilite Industries Ltd.,  
7th Floor, Regent Chambers  
Jamnalal Bajaj Marg  
Nariman Point  
Mumbai-400 021

Dear Sirs,

Pursuant to Clause 12 of the Scheme for the demerger of the Undertaking of Vinyl Chemicals (India) Ltd. into Pidilite Industries Ltd. I / We hereby exercise the option of being allotted Equity Shares in Pidilite Industries Ltd. in terms of the foregoing Scheme. Accordingly I / We request that Equity Shares in Pidilite Industries Ltd. may be allotted to me / us in accordance with the foregoing Scheme.

Yours faithfully,

\_\_\_\_\_

Folio No.	Name of the Shareholder/s	Shares held in physical form		Shares held in Dematerialised form Account No.	No. of Shares
		Certificate No.	Distinctive Nos.		
			From	To	

NB: This form should be signed by the shareholder/s in conformity with the specimen signature/s as on the record of the Company and to be sent to TSR Darashaw Ltd. Registrar & Transfer Agent of the Company at their following address:

6-10, Haji Moosa Patrawala Ind. Estate,  
20, Dr. E. Moses Road, Mahalaxmi,  
Mumbai - 400 011

\* *Small Shareholder means a member holding less than 501 (five hundred and one) equity shares in Vinyl*